

# FINANCIAL TIMES

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World Business Newspaper

## Basque conciliation to go on despite bomb attacks

The Spanish government said it would maintain conciliatory moves aimed at neutralising Basque terrorism despite bomb attacks on Saturday which injured 38 people, most of them British tourists.

Yesterday, 12 people were still in hospital with moderate to serious injuries. This year's costs bombings come amid a complex policy to combat terrorism by the new centre-right government. Page 2

**Brussels move on Ecu market:** The European Commission plans to meet banks and other financial institutions on Thursday to discuss ways of restoring confidence in the Ecu market, after doubts over the legal status of financial instruments denominated in Ecu. Page 18; EU and Pakistan to seek closer political ties. Page 4; Editorial Comment, Page 17

**Tutsi massacre claimed:** More than 300 people, mainly women, children and babies, are reported to have been massacred in a Tutsi refugee camp at Langundau in the Gitga region of Burundi. Human rights are being blamed.

**Lehman keeps nerve and lifts Open title**

American Tom Lehman (in white shirt next to Nick Faldo of Britain) kept his cool to win the 125th Open golf championship at Royal Lytham, in north-west England, his first major title. The 37-year-old Minnesota, who last month lost the US Open on the final hole, hit a final-round 73 to finish with a 13-under-par total of 271, a record for an Open at the course. Lehman, six strokes clear after a course record 64 on Saturday, beat Ernie Els of South Africa and fellow American Mark McCumber by two strokes and 50 to three strokes.

**First deal for GKN:** UK engineering group GKN has signed an exclusive deal to supply parts for Fiat's new Palio world car. The Palio is expected to be built in at least six countries. Page 19

**\$1.2bn ventures Midor:** An Egyptian-Israeli consortium which is the largest joint venture between Israel and the Arab world, is to build a \$1.2bn oil refinery in Alexandria, Egypt. Page 3.

**Toshiba:** Japan's second-largest integrated electronics company, plans to seek international alliances or closures where it cannot compete effectively alone, says its new president, Tatsuo Nishimura. Page 21

**Cartouche's fate will be in the hands of the president of the French commercial court if the Anglo-French operator of the Channel tunnel does not agree an outline refinancing plan with its banks this month.** Page 19

**Japan's bosses aim to improve image:** Top Japanese executives at an employers' meeting agreed to toughen up the Kedainiai's "charter for good corporate behaviour". This follows a series of scandals in Japanese corporations. Page 4; Talk of sumo and dope shakes sumo. Page 10

**Metallgesellschaft:** German industrial and trading company that nearly collapsed in 1994, backed off from an out-of-court settlement of bitter legal disputes with former chairman Heinz Schimelbusch. Page 21

**UK companies faulted on research:** British companies are less aware of publicly-funded scientific research than Japanese and US competitors, says a UK study of the effect of scientific research on economic performance. Page 8

**HK groups in China road project:** Two of Hong Kong's largest infrastructure groups, Hopewell Holdings and Cheung Kong Infrastructure, are to join forces in a Ynbn (\$24bn) project to build part of a ring road in the southern Chinese city of Guangzhou. Page 4

**European Monetary System:** The spread between the strongest and weakest currencies in the EMS grid was little changed last week. This was in spite of gyrations between the D-Mark and the dollar caused by a fall in US share prices over speculation about possible interest rate rises. The D-Mark held firm even though there were growing expectations that the Bundesbank might cut its short-term repo rate at its regular council meeting this week. The Irish punt dropped five places within the grid as sterling weakened.

Currencies, Page 26

EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Member	LEK 220	Germany	DM 100	Ukranian Ls 1500	Other	GRN 100
Austria	Sch 37	Greece	DM 100	Ls 1500	UF 75 S. Andols	SR 12
Belgium	BF 75	Hong Kong	HK 100	DM 100	Singapore \$ 140	
Cyprus	CEC 100	Iceland	FL 250	Malta	SG 140	
Czech Rep	K 100	India	Rs 100	MD 15	Shillings Sh 150	
Denmark	Dkr 100	Ireland	P 175	Nigera	SG 150	
Egypt	EGP 100	Italy	Li 100	Nikaragua	SG 150	
Finland	Fr 100	Japan	Y 100	Norway	NG 150	
France	Fr 100	Jordan	JD 100	Sweden	SEK 170	
Germany	DM 100	Korea	W 100	Switzerland	CHF 170	
Iceland	Fr 100	Latvia	LS 1000	Turkey	TL 170	
Ireland	Fr 100	Poland	PL 100	Uganda	Ush 100	
Italy	Li 100	Portugal	Introd 100	Venezuela	VE 100	
Japan	Y 100	Romania	Lei 1000	Yemen	YD 100	
Malta	BF 75	Russia	R 100	Zambia	Z 100	
Spain	CEC 100	Singapore	SG 150	Zimbabwe	Z 100	
Sweden	SEK 100	Slovenia	SI 100			
UK	PF 100	Slovenia	SI 100			
USA	US 100	Slovenia	SI 100			
Yugoslavia	YU 100	Slovenia	SI 100			

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## Cyberinvestment

Help from the Motley Fool

Lisa Bransten, Page 18



## Olympic Games

Athletes take centre stage

Page 6



## Business travel

Latin America's resurgence

Page 14

By Keith Wheatley in Atlanta

When the swimmers completed their laps in the Olympic pool yesterday, they walked into the political theatre that is Atlanta. An Irish woman and a Belgian man became national icons, small nations celebrated triumphs over the large, and then there was the issue of drugs.

Dominated in the past by the communist countries of eastern Europe and by the US, the swimming pool suddenly seems, well, a more level playing field. Belgium, the Irish Republic and New Zealand all won swimming gold medals

for the first time, and the US, by its high standards, belly-flopped.

Michelle Smith, who won gold in the 400-metre individual medley, has become Smith's poolside guru. She credits his unconventional methods with her remarkable improvement over the past two years. "It isn't an explosion," Smith replied to a question about her 18-second improvement since 1992.

The turnaround in Smith's career has been extraordinary by any standards, especially at an age when even the most distinguished swimmers stop expecting any increase in performance. In Barcelona, Smith finished 28th in the event and looked unlikely, then aged 22, to go

on to glory. However, at those Olympics she met and later married Dutch shotputting coach Erik de Bruin, who has become Smith's poolside guru. She credits his unconventional methods with her remarkable improvement over the past two years. "It isn't an explosion," Smith replied to a question about her 18-second improvement since 1992.

The problem for Olympic champions is that any remarkable improvement is accompanied by a whisper campaign about drugs - Smith has been tested several times for banned substances and failed to qualify for the final.

However, the sudden progress of Chi-

neese women swimmers in recent years, and a spate of positive drug tests, provided evidence for some opposing coaches that unusual training techniques were not the main reason for their success.

This time around, the Chinese women's team has struggled, and only Le Jingyi was able to take gold, in the 100m freestyle. In the 400-metre individual medley, the two Chinese women ranked first and second in the world swim 13 seconds slower than their best times and failed to qualify for the final.

Team officials blamed an Olympic village fire alarm that went off during the

night, forcing athletes outside.

Then there was the brewery-to-champagne story of Belgian swimmer Fred de Burggraeve, who broke the world 100m breaststroke record by 0.35s in the preliminaries before taking gold in the final on Saturday night. He had dropped out of competitive swimming after slipping on the start blocks in Barcelona and coming 34th.

Until recently, the shaven-headed Burggraeve, 23, worked in a brewery and swam just an hour a day.

Olympic round-up, Page 6

Editorial Comment, Page 17

## Smaller nations create ripples in Olympic pool

By James Kyng in Jakarta

The Association of South East Asian Nations yesterday voted to condemn attempts to introduce social and labour issues into World Trade Organisation deliberations.

A joint communiqué approved after a two-day meeting of foreign ministers from the seven ASEAN nations said the grouping should oppose efforts to discuss issues which were not specifically related to trade - such as corruption and social clauses - at a WTO meeting in Singapore in December.

In a joint news conference, the leader of the opposition Indonesian Democratic party, Mrs Megawati Sukarnoputri, agreed with Mr Jackson that labour conditions needed to be improved.

ASEAN, which groups Malaysia, Vietnam, Indonesia, Brunei, Thailand, Singapore and the Philippines, endorsed a plan to accelerate tariff reductions.

Under the plan, put forward by ASEAN leaders in December last year, 29 per cent of tariffs in the region will be reduced to below 5 per cent by the year 2000 - three years earlier than a former target date.

ASEAN has rejected calls for sanctions on Burma to force political change.

A senior Thai official said ASEAN was particularly concerned that the US and European nations might try to introduce regulations to standardise minimum wages among WTO members. He added that attempts to legislate against child labour were also worrying.

"We are very serious about these issues," the Thai official said, "but there has not been a common position declared by ASEAN until now."

Many ASEAN members fear that

the inclusion of minimum wage laws and other social clauses in WTO deliberations could erode their competitive edge in exports of manufactured goods.

US civil rights activist Mr Jesse Jackson drew attention to the issue by visiting a Reebok shoe factory in Jakarta where he said workers were being paid the equivalent of 20 US cents an hour.

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## Mediation by Germany leads to first exchange in five years



## Hizbullah and Israel to swap dead prisoners

By Julian Ozanne in Jerusalem, Andrew Fisher in Frankfurt and Sean Evans in Cairo

Lebanon's pro-Iranian Hizbullah guerrilla movement yesterday handed over the bodies of two missing Israeli soldiers in a German-brokered deal to swap them for Arab prisoners and the remains of fighters killed by Israel.

Israel will return the bodies of up to 123 guerrillas killed in clashes on the Israel-Lebanon border and will order the South Lebanon Army - the Lebanese militia to arm and supplies - to hand over some 18 bodies and free up to 45 prisoners. Hizbullah will also hand over 17 pro-Israel SLA fighters.

The bodies of the two soldiers were handed to delegates of the International Committee of the Red Cross yesterday at the Hizbullah press office in Beirut's southern suburbs. The bodies were flown to an Israeli airfield at Lod and were met by an Israeli guard of honour.

The deal, the first exchange between the two enemies for five years, ended a 10-year ordeal for the families of Mr Yossi Fink and Mr Rahabin Alsheikh, the two Israeli soldiers who were 20 years old when they were captured by Hizbullah in 1986.

However, the agreement was largely negotiated before Mr Benjamin Netanyahu, the Israeli

prime minister, took office and is not expected to have a substantial impact on the continuing conflict between Hizbullah and Israel or on the broad Middle East peace process.

For both sides, the exchange suits domestic political needs without signifying a fundamental change in foreign policy.

The deal appeared to be a victory for the German government, which has argued that its policy of dialogue with Iran is more successful than the US policy of isolating that country.

Mr Helmut Kohl, the German chancellor, yesterday raised the prospect of the release of other missing Israelis, saying that Bonn's efforts would "make a contribution to the peaceful development" of the Middle East.

Mr Netanyahu publicly thanked Mr Kohl for Germany's part in the return of the bodies. Mr Netanyahu also paid tribute to Mr Bernd Schmidbauer, who brokered the deal, and said Israel would continue efforts to trace other missing soldiers.

The fate of seven Israeli soldiers, including Mr Fink and Mr Alsheikh, who went missing in Lebanon between 1982 and 1986 has been a sensitive issue in Israel. One body was returned in 1991. The subject is regularly raised in bilateral talks between Israel and its western allies. For

Continued on Page 18

## Compaq cuts prices in new challenge to computer rivals

By Christopher Parkes

In Los Angeles

Compaq, the world's leading personal computer maker, today presents a fresh challenge to its competitors with the world launch of a number of high-powered machines for business users at prices 10-15 per cent lower than its previous range.

It will be the latest shot in a vicious computer price war which has undermined manufacturers' profits and knocked the US stock market. Compaq will today start delivery of the new range outside the US. Prices will depend on local market conditions but reductions are expected to be similar to those in North America.

"We are anticipating a reaction from competitors," said Mr Lewis Schrock, Compaq's business product manager. "But the cost and price savings have been designed into these machines

## NEWS: EUROPE

# German railways plan \$20bn city centre redevelopments

Putting trains underground in 25 cities will make services faster and free land for homes, shops and offices, writes Charles Batchelor

**R**ailway lines and stations in at least 25 German towns and cities could be placed underground, freeing large areas for redevelopment as housing, office space and parks, as part of a DM30bn (\$19.7bn) refurbishment plan drawn up by Deutsche Bahn railway group.

Many of the terminus stations built around the turn of the century would be converted into through stations by building extra underground tracks below city centres making timetabling simpler and journey times shorter.

This initiative forms part of Deutsche Bahn's Project 21 to modernise its rail network and make its stations more attractive. DB was established as a private company in 1994 - with

the government still as sole shareholder - but it is preparing to list its operating divisions on the stock market over the next few years.

These ideas could be applied to the stations in many large European cities where there are large areas of unused track. Most 19th century railway companies built lines into the city centre. Since the companies were competing for passengers and tunnelling was expensive, there was no incentive to build direct links between them.

In London, proposals for an underground east-west main line rail link known as Cross-Rail which would take travellers direct from Heathrow to the City and beyond have been

drawn up but shelved because of the cost. Paris has constructed underground suburban links but long-distance trains still run overground into the main terminal.

Selling off large areas of inner-city land to developers will help cover the estimated DM30bn cost of refurbishing Deutsche Bahn's 6,400 stations while giving new life to rundown city centres, said Mr Heinz Durr, DB chairman.

In Stuttgart, where plans are furthest advanced, more than 100 hectares of land in the city centre could be freed by placing railway tracks in tunnels. DB estimates that it could earn DM2.2bn from the sale of the land to the local authority and meet a large part of the DM4.9bn investment costs. The remaining costs would be met

by federal and state government subsidy. If the proposed timetable is met the new station and tracks could be in operation in 2008.

In Frankfurt-am-Main 133 hectares of land would be freed by putting freight and passenger tracks underground while the main termini would be linked under the city centre with a smaller station on the east side of the city.

Through running would cut out delays caused by the large loops the trains now make around the city to reach the main termini.

Other city centre stations suitable for the Project 21 plan include Munich and Saarbrücken.

DB has already taken steps to develop the commercial potential of its stations jointly with private developers. At Hamburg-Altona, the station was rebuilt to incorporate a large Kaufhof store with finance from the company.

Leipzig station is currently undergoing a DM90m reconstruction to increase retailing space. This is being financed jointly by shopping centre developer Einkaufs-Center-Entwicklungs-gesellschaft, which is providing two thirds of the funding.

Small investors can buy bonds in a rail property fund set to help finance the work at Leipzig.

Right: an artist's impression of the new Frankfurt station



## Erbakan pledges to Turkish Cypriots

By John Bartram in Ankara

Mr Necmettin Erbakan, Turkey's Islamist prime minister, reaffirmed Ankara's commitment to northern Cyprus during a weekend trip to mark the anniversary of the Turkish invasion which led to partitioning of the island in 1974. His visit coincides with renewed international efforts to end the division of Cyprus.

Mr Erbakan told a cheering crowd: "We are determined now as we were in 1974 to support the rights and freedoms of our brethren in Cyprus. I am here to show you that we stand with you."

Last week Ms Madeleine Albright, Washington's UN ambassador, said during a visit to Cyprus that commanders from both sides would soon discuss measures to reduce tension on the island, one of the world's most heavily militarised places.

The US, which declared 1996 to be "the year of the big push on Cyprus", is investing considerable time and effort to find a settlement, hoping this would ease enmity between Turkey and Greece and forge regional stability.

While Turkish northern Cyprus held military parades, in the southern half church bells tolled and flags flew at half mast. Mr Glafoas Clerides, the Greek Cypriot prime minister, called on Turkish Cypriots and Turkey to begin talks. He said: "We are ready to negotiate with courage, if the Turkish side is ready for a logical and viable compromise."

Mr Rauf Denktash, the Turkish community's veteran leader, said: "I say to the Greeks once more, Come, let us make Cyprus a bridge of peace between Turkey and Greece."

Although both communities agree to a UN plan for a federation with a weak central government in which both groups would retain considerable autonomy, negotiators have not overcome deep distrust between the two sides.

Mr Erbakan, who was deputy prime minister during the 1974 invasion, scarcely mentioned reconciliation. He said: "All we want in Cyprus is the recognition of the fact that there are two different communities, two different democratic entities, two states. We want them to live together in peace."

Northern Cyprus declared itself a separate republic in 1983, but is recognised only by Ankara, which provides 30,000 troops and economic aid to overcome an international trade embargo. The European Union is hoping the prospect of EU membership will help achieve a settlement.



Jordi Pujol, left, Catalan leader, looks at a pool of blood in Barcelona airport

## Basque conciliation to go on despite Costa bombings

By Tom Burns in Madrid and agencies

The Spanish government said yesterday it would maintain its current policy aimed at defusing Basque terrorism - including conciliatory gestures towards prisoners - despite a series of bomb attacks which left 36 people injured, most of them British tourists.

In the most serious incident a bomb, left in a rubbish bin, exploded on Saturday in a packed departure lounge of Reus airport, south of Barcelona, as the area was being cleared minutes after a bomb was thrown by Eta, the Basque terrorist organisation. Yesterday, 12 people were still in hospital with mostly light injuries.

Shortly afterwards there were two similar blasts in the resort towns of Salou and Cambrils, which are served by Reus airport, but no one was hurt. In separate incidents yesterday, police defused another bomb at a Salou hotel, from which Dutch tourists were evacuated, and eight grenades exploded near a barracks of the paramilitary Civil Guard in the Basque town of Ordizia.

The bombings are similar to Eta campaigns in recent years along the Spanish coasts at the height of the holiday season. This month six small blasts have caused damage but no deaths in resorts further south on the Costa del Sol.

This year's Costa bombings come amid a complex policy to combat terrorism by the new centre-right Popular party government. The policy involves rejecting all contacts with Eta but making conciliatory moves towards convicted Eta members and working closely with the moderate Basque Nationalist party, which runs the autonomous Basque government and backs the Popular party in the Madrid parliament.

One of the Madrid government's key initiatives has been to move, on the advice of the Basque Nationalist party, some of the 500 odd jailed Eta members to prisons closer to the Basque Country. This reverses the dispersal policy of the previous Socialist government.

It is believed that the new interior minister, Mr Jaime Mayor Oreja, who is a Basque and a senior figure in the Popular party, has a secret agenda of further initiatives agreed with the Basque Nationalist party. Yesterday, after visiting the injured in the Reus airport blast, Mr Mayor Oreja said Eta violence would not change his anti-terrorism timetable, including the prisons policy.

He said there could be no miracles breakthroughs to end Eta terrorism. In a reference to his talks with the Basque Nationalists, Mr Mayor Oreja said the government would maintain a firm policy that was "understood and agreed by all".

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He said there could be no miracles breakthroughs to end Eta terrorism. In a reference to his talks with the Basque Nationalists, Mr Mayor Oreja said the government would maintain a firm policy that was "understood and agreed by all".

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## Egypt-Israel group in refinery deal

By Sean Evers in Cairo

An Egyptian-Israeli consortium, Midor, yesterday signed contracts for a \$1.2bn oil refinery in Alexandria, Egypt. Midor, which groups Israel's Merhab Group, the Hussein K Salem Group of Egypt, and the Egyptian General Petroleum Corp (EGPC), is the largest joint venture between Israel and the Arab world.

The engineering procurement and construction contract worth \$1bn was awarded to a European consortium led by Technipetroil of Italy and Techip of France.

A ground-breaking ceremony is expected in October. The final stage in project development, including financing as well as selection of other construction groups, are expected to be concluded shortly, with the project fully operational by late 1998. The main licensor for the refinery, which will include a hydrocracker, is the US company UOP, supplemented by Conoco-Bechtel.

Senior officials from Technipetroil said the refinery would be one of the first in the region to meet European environmental standards in both process and products.

The project is Egypt's largest private venture and the first private sector refinery. The equity capital represents only 20 per cent of the total cost of the project.

National Westminster Bank of the UK and Bank Nationale de Paris are working as the co-lead managers for the estimated \$600m export credit component of the financing. The export credit cover has been pledged by several European agencies, including Spain's CESCE, France's

Coface, the UK's Export Credit Guarantee Department, Germany's Hermes and Italy's SACE.

The European Investment Bank has approved an Ecus220m (\$277m) loan for the construction of the export-oriented oil refinery in the free zone area near the port of Alexandria.

The scheme, the largest to be financed by the EIB in the Middle East, will draw on Egyptian oil resources to supply 5m tons per annum of advanced refined products, including lead-free petrol and low-sulphur gas.

Israel and Egypt will each get a third of production while the rest will be sold to adjacent markets, such as Turkey, southern Italy, Greece, Cyprus and the Palestinian areas.

Saudi Arabia has awarded the building of a SR4.155bn (\$1.08bn) power plant to Japan's Mitsubishi Heavy Industries following months of talks with international companies, Reuters reports from Manama.

The Saudi Consolidated Electric Company-East (Sceco-East) awarded the bidding to Mitsubishi Heavy Industries Consortium to build and install the 4,200MW Ghuzlan power plant. In March Saudi Arabia said the Sceco-East project was part of a master plan to raise power generation in the oil-rich kingdom to 40,000MW over 25 years from a current 17,700MW capacity.

Saudi Arabia is hungry for added electricity capacity and needs new plants.

The Sceco-East project was revived last year when Riyadh's financial standing improved with rising oil prices and higher revenue due to a rise in domestic electricity rates.

## Cairo SE sees jump in foreign investments

By Sean Evers in Cairo

Foreign investors have more than tripled their share on the Egyptian stock exchange in the first half of 1996 as international interest in the market has risen.

International investors accounted for 20 per cent of the Ec3.3bn (\$970m) of stock traded on the Cairo Bourse in the first six months of the year, compared with just 6 per cent of the Ec3.8bn traded in the whole of last year. The majority of the foreign investors have come from the US, Britain, Singapore and the Gulf Arab states.

Mr Ashraf Shams el-Din, deputy chairman of Egypt's capital markets authority (CMA), explained: "The flurry of sales of state companies and the Egyptian government's renewed commitment to economic reforms was drawing the international investors."

Since Mr Kamal Ganzouri, prime minister, and his more reform minded cabinet were

appointed in January, the pace and profile of the privatisation programme has been stepped up.

But the Egyptian business association continue to criticise the mainly partial sell-off, claiming "privatisation is not selling 10 or 20 per cent it is a change in management".

However, the Egyptian state is moving up another gear, following the ground-breaking offerings of majority stakes in less well known companies including Madinet Nasr Housing and Construction, and a fertiliser company, Egyptian Financial and Industrial.

The state sold off 65 per cent of EFT to private investors in May. The company is one of the most active on the Cairo bourse and it announced a 20 per cent increase in sales last week.

A recent international economic study by Baring East management reveals that the Egyptian stock market is the most attractive Arab market for investors.



## Algeria to hold new round of talks

By Rami Khalaf

Algerian President Liamine Zeroual and political parties will hold a further round of talks on Thursday after failing to reach agreement on a common strategy towards ending four years of bloody struggle and to prepare for new legislative elections.

In talks which ended at the weekend, Mr Zeroual rejected a suggestion by two opposition parties to include leaders of the Islamic Salvation Front (FIS) in the dialogue. FIS militiamen have been battling the government since 1992, when their party was stripped of an electoral victory.

Mr Sliman Cheneine, a spokesman for the Hamas Islamist party, said yesterday that Mr Zeroual told Hamas representatives the question of the FIS was no longer open for discussion.

The most difficult point in the talks was Mr Zeroual's proposal to amend the Algerian constitution before legislative elections due in the first half of 1997. The president is seeking revisions to bolster the presidency's powers, create a second chamber of parliament which includes non-elected officials, and prevent parties from using Islam to further their political ends.

Main opposition parties, who suspect the president of seeking to monopolise the political field, believe a new constitution should be drafted by the elected assembly after the poll. Mr Cheneine said Hamas proposed that instead of amending the constitution this year, parties fielding candidates in legislative elections be asked to adhere to a set of principles such as promising not to exploit religion in campaigning.

Because views diverge on the constitutional amendments, Mr Zeroual invited the parties for bilateral talks on the constitution to start later this month. A spokesman for the Berber-based Socialist Forces Front, a strong critic of Mr Zeroual's approach, said yesterday that although Mr Zeroual showed little willingness to compromise on this point, the FFS would take part in the bilateral talks.

Some progress was made on other revisions sought by Mr Zeroual. Three commissions are to be set up including representatives from various parties to discuss Mr Zeroual's proposed changes to the electoral rule, to the law governing political parties, and to prepare for a national conference later this year.

The talks ended amid reports of a resurgence in violence. Several bombs exploded around Algiers last week.

## Corn group may face more claims

By Laurie Morse in Chicago

Rain drenched the fields of Illinois last week, putting an end to fears of drought and ruined corn crops, but doing little to ease the troubles of one of the state's most famous corporate sons, Archer Daniels-Midland, the country's biggest corn processor.

On Friday, a federal judge in Chicago approved a civil antitrust settlement in which ADM and two of its Japanese rivals, Ajinomoto and Kyowa Hakko Kogyo, agreed to pay \$45m to customers of their animal feed ingredient businesses.

The civil suits were brought after the US government conducted a two-year undercover investigation into ADM's role in international feed ingredient markets and in particular, the market for lysine, an amino acid widely used as a livestock

feed supplement by poultry and pork producers.

The government has not yet brought criminal charges against any of the companies, but the civil settlement is evidence the price-fixing probe is having a profound effect on the small group of global companies producing lysine.

Heartland Lysine, a US division of Ajinomoto, and the US subsidiary of Kyowa Hakko have each agreed to pay \$10m of the settlement, and ADM will contribute \$25m. While agreeing to the payments, none of the companies admitted to any wrongdoing.

The civil settlement is only the first case of, perhaps, many facing ADM. More than a dozen of ADM's customers participated in the class action, but several other big clients opted out of the deal, leaving open the possibility of

further suits and settlements.

ADM officials fear that criminal actions will be brought against two prominent executives in coming weeks, though the company, its attorneys and federal prosecutors are not commenting on what has been a colourful investigation.

The investigation has shaken ADM, known for its political influence and connections in Washington. Investigators have been sifting through evidence. The tapes are believed to show executives of ADM and rival companies discussing the global market for lysine - the question is whether investigators have enough evidence to take a case of alleged market manipulation to court.

For more than a year, prosecutors have been distracted by the accusations involving Mr Whittaker, who has separately been investigated by the FBI for alleged fraud. He denies the allegations.

Another difficulty for US investigators is that the case stretches far beyond the boundaries of the US. To prove collusion, the police have to gather evidence that, among others, South Korean and Japanese competitors were parties to an international agreement.

With a large stock of video tapes recorded by an ADM executive who turned FBI mole and whistleblower, Mr Mark

Whittaker, the government has been sifting through evidence. The tapes are believed to show executives of ADM and rival companies discussing the global market for lysine - the question is whether investigators have enough evidence to take a case of alleged market manipulation to court.

The unresolved investigation has cast a shadow over the future of Michael Andreas, presumed to be the natural successor as chief executive to his 78-year-old father.

Public debate about the case has already forced extensive reforms of ADM's board, which had been dominated by Dwayne Andreas for 30 years. In the past year, the company has promised to expand the board and limit participation by company employees.

The investigation has shaken ADM, well known in the US for its political influence and its connections in Washington. Allegations have focused on the roles of two executives: Mr Michael Andreas, the executive vice president and the son of company chairman, Mr Dwayne Andreas; and Mr Terence Wilson, head of ADM's corn processing unit.

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## Paris Club restructures Peru's debt

By Sally Bowen in Lima

After three days of tough bargaining in Paris, Peru has succeeded in restructuring most of the \$9.25bn owing to its official creditors. Paris Club debt represents some 28 per cent of Peru's total foreign debt.

Speaking in Lima at the weekend, President Alberto Fujimori described Peru's treatment "exceptional", noting that it was the only country apart from Russia to have reached such a favourable restructuring arrangement with the Paris Club.

Rescheduling will be over 20 years with substantial relief for the next three, Mr Fujimori said. Payments this year will total around \$450m, rising to

\$200m in 1998. Without relief, Paris Club servicing would have been double this.

Of Peru's total debt with its bilateral creditors almost \$7bn was contracted before 1983, the year in which Peru ceased servicing most of its external debt.

Pre-cut-off debt is the only part of the total susceptible to restructuring.

Payments to the Paris Club are expected to rise to \$1bn plus by the end of the decade. Despite the relief obtained, this - added to payments under the soon-to-be-closed Brady deal - will still impose a heavy burden on Peru. Last year's export earnings, even with exceptionally buoyant mineral and commodities prices, were only \$5.5bn.

The Paris Club issued a statement outlining its decision "to grant Peru an ambitious treatment of its external official debt tailored to the prospects of its economic growth".

Peru will now seek to negotiate separately, and as soon as possible, with each of the Paris Club members, President Fujimori said. In addition to bilateral forgiveness, Peru will press to swap some debt for nature or social programmes.

The agreement came after three days of talks in Paris between Peru's negotiating team and officials from Austria, Belgium, Canada, Finland, France, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Britain and the US.

The Paris Club issued a statement outlining its decision "to grant Peru an ambitious treatment of its external official debt tailored to the prospects of its economic growth".

The statement, which did not give financial details, said the agreement was "a very significant contribution to the former Soviet Union".

The Paris Club deal should also permit the de-blocking of some \$500m in credits already granted by Japan. These could not be released until agreement was reached in Paris.

Still pending on Peru's foreign debt agenda is renegotiation with creditor countries of the former Soviet Union.

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# HK groups join in China road project

By John Riddings in Hong Kong

Two of Hong Kong's largest infrastructure groups, Hopewell Holdings and the newly listed Cheung Kong Infrastructure, are to join forces in a Yn10bn (\$240m) project to build part of a ring road in the southern Chinese city of Guangzhou.

The agreement clears the way for work to restart on the project, which was stalled last year because of a disagreement between Hopewell and Guangzhou authorities over the cost of the project and the construction of commercial sites along the road.

Under the terms of the accord, Cheung Kong Infrastructure, which is part of Mr Li Ka-shing's business empire, will jointly invest Yn1.9bn with Hopewell to build the east-south section of the city ring road.

This section is due for completion in 1998.

Guangzhou Freeway, the city roads company, is to contribute the remaining Yn10bn of the cost of the project.

It will also guarantee Cheung Kong Infrastructure and Hopewell a minimum return of 20 per cent and take responsibility for cost overruns.

The accord brightens the prospect for the completion of the Guangzhou southern ring-road, which was agreed in 1992 between the city authorities

and Hopewell Holdings and which involves a total cost of almost Yn10bn.

The latest deal is expected to be followed by an agreement on terms for Hopewell and Cheung Kong Infrastructure to build the south-west section of the road.

Industry analysts in Hong Kong said the agreement was positive for Hopewell, since it would reduce the financing costs and provide an influential partner.

The agreement is the second time that Mr Gordon Wu, Hopewell's chairman, has secured a significant outside investor for one of the group's mainland road projects.

Last year he sold a 2.5 per cent stake in the Guangzhou-Shenzhen superhighway to Kameatsu of Japan.

The 123km Shenzhen-Guangzhou expressway linking Hong Kong to the capital of Guangdong province has proved a disappointment both to China and to Hopewell Holdings.

Among the problems were cost-overruns, delays in construction, difficulty in securing local construction permits, and a shortfall of toll revenues after the road opened.

One of the problems was that the project was negotiated at local level and the project assumed that Hopewell would be able to develop property along the route, which added to its costs.

# Japan's executives seek to improve image

By William Dawkins in Tokyo

Corporate Japan's top executives yesterday decided it was time to extend the technique of continuous self-improvement from the factory floor to the morals of management.

The annual seminar of the powerful Keidanren economics federation in Oyama, a resort at the foot of Mount Fuji, ended two days of soul-searching with an agreement to toughen up its "charter for good corporate behaviour".

It was the first official Keidanren recognition that the recent series of mishaps at Japanese companies had created an image problem.

It was also Japan's first col-

lective attempt to show contrition for a year in which some of its most prestigious corporate names have been mired in impropriety.

Mr Shoh Nasu, chairman of Tokyo Electric Power, the world's largest electricity generator, said the review of the code must be carried out "as soon as possible". Mr Yoshiro Okawara, a senior Keidanren adviser, admitted: "There is a need for action to cope with the sense of mistrust."

Blows to Japan's corporate image over the past year include the \$1.8bn loss on unauthorised copper dealing at Sumitomo Corporation, formerly seen as the most conservatively managed general trading company; the revelation

that managers of Takashimaya, a prestigious department store, had been paying hush-money to gangsters; a US sex discrimination and harassment case against Mitsubishi

ment did not know what was going on and internal communications were "lacking".

However, as so often in Japanese corporate life, there was more ritual than real reform

at the Mount Fuji seminar to make the new code easier to implement, when one participant suggested that wrongdoers should actually be penalised by the Keidanren. But the idea was quickly flattened by the mighty NEC, the leading semiconductor and computer producer.

"What would be the standard for deciding on such a punishment? That would be very difficult as a practical matter," said Mr Tadahiro Sekimoto, NEC's chairman.

Still, every little helps. After all, self-improvement on the Japanese shop floor has always taken place in a series of small incremental steps.

Talk of soap and dove shakes sumo, Page 10

## Two days' soul-searching ended with an accord to toughen the Keidanren's 'charter for good corporate behaviour'

Motor, the largest such case in legal history; and an unauthorised \$1.1bn bond dealing loss at Daiwa Bank's New York office.

In many cases, argued Mr Jiro Kawabe, adviser to New Oji Paper, Japan's largest paper company, top manage-

to the Keidanren's gesture.

The federation's five-year-old ethics code, little talked about and never applied, has no real teeth. It was drafted just after

a series of financial improprieties, in which Japan's largest stockbroker, Nomura Securities, was found to have com-

# Vietnam diaspora ponders links with home

Jeremy Grant on the problems of returnees being used by foreign investors as a bridge between western and Vietnamese culture

In Vietnam, sight is supposed to be a lucky number. But Hong Kong-listed Peregrine Investment Holdings may be starting to wonder about the luck of choosing a colonial villa at 8 Alexandre de Rhodes street in Ho Chi Minh City as the headquarters of its Vietnamese arm.

Having grown accustomed to a reputation as one of the best-connected foreign players in Vietnam, Peregrine Vietnam played host to city officials in May searching for documents in an investigation into allegations of tax evasion and abuse of its representative office licence.

On Saturday, prosecutors com-

menced to question that the company had abused its representative office licence, which forbids foreign companies from booking business in Vietnam.

Prosecutors said they were investigating PCV and its links with 13 local trading compa-

nies allegedly set up by Mr Truc. Officials alleged that the company had abused its representative office licence, which forbids foreign companies from booking business in Vietnam.

Earlier this month, Euro-

money magazine chose PCV as the "best foreign securities firm" in Vietnam. "Peregrine's opportunist approach has earned it many fans in Vietnam," it said, adding that Mr Truc's "extensive web of local contacts" had enabled him to "avoid government interference".

For Mr Truc, an émigré Vietnamese businessman with a degree from an Australian university and a collection of 15 vintage cars, the investigation

follows a colourful career in Vietnam that started with his return in 1989 as head of PCV. That company is 60 per cent owned by Peregrine Investment Holdings, with the rest held by him, his Malaysian-Chinese wife and a Singaporean businessman.

The case raises questions about the role of overseas Vietnamese in the country's economic reforms. Thousands of overseas Vietnamese, known locally as Viet Kieu, have returned to Communist-ruled Vietnam since it started encouraging foreign investment about five years ago.

Most of them run small, service-related businesses, often using family members who

stayed behind after the end of the Vietnam war, which ended in 1975. Under Vietnamese law, Viet Kieu are supposed to get more liberal treatment than foreign investors.

Nor has the local press helped. Mr Truc and PCV have been the butt of a vigorous campaign in local newspapers, which have sometimes chronicled alleged wrongdoings in microscopic detail. None had contacted Mr Truc or Peregrine official said.

The investigation into Mr Truc and his wife would take up to four months, the prosecutor's office said, and they would not be allowed to leave Ho Chi Minh City without permission.

## ASIA-PACIFIC NEWS DIGEST

### Taiwan party transfers cash

Taiwan's ruling Nationalist party has transferred control of more than \$100m in party-owned assets in Hong Kong to a Singapore subsidiary as a precautionary step before the British colony's reversion to Chinese sovereignty next year. The Nationalist party, also known as the Kuomintang, is reticent about its business activities and officials were unavailable to comment on a report in the leading United Daily News. The assets, including property and trading companies, were transferred to Asia Pacific Holdings Syndicate, a Singapore-registered subsidiary of party-owned Asia Pacific Holdings, the report said.

Mr Liu Tai-ying, chairman of the party's business management committee, was quoted as saying: "In the event that our party assets encounter problems in Hong Kong, the Singapore government will come to our aid." Singapore assets are safeguarded in China under a bilateral investment protection agreement. Nationalist party officials hope the transfer will prevent any moves by China to confiscate or intervene in the management of the assets after 1997.

Beijing regards Taiwan as a renegade Chinese province and the Nationalists as an illegitimate rebel government. China has indicated that Taiwan's substantial private business interests in Hong Kong will be unaffected by the colony's takeover, but has also hinted that Taiwan's existing quasi-official representative offices will not be welcome. Until the 1990s the assets of party and state were nearly indistinguishable, but the Nationalists have made strenuous efforts to separate party business operations from those of the Taiwan government.

Laura Tyson, Taipei

### US-Japan electronics talks end

The electronic industries of Japan and the US have failed to reach a comprehensive agreement on a new framework for bilateral co-operation, an industry association said yesterday.

The Electronic Industries Association of Japan (EIAJ) said the two sides remained apart on three of four key outstanding issues discussed in a fourth round of negotiations held over the weekend in Vancouver, Canada. The negotiations were aimed at working out a framework for industry-to-industry co-operation after the existing governmental semiconductor trade accord expires at the end of this month.

Both sides, however, agreed to promote bilateral co-operation in such fields as the standardisation of technologies for equipment to produce next-generation 300mm wafers, energy savings and the protection of intellectual property. They agreed to continue negotiations in parallel with governmental talks on semiconductor trade between the two countries, the officials said.

Kyoto, Tokyo

### Vietnam life insurance scheme

A state run Vietnamese insurance company, Bao Viet, plans to launch the country's first life insurance scheme and hopes to sign up its first customers by next month, the semi-official weekly Vietnam Investment Review said yesterday.

The move follows Bao Viet's announcement earlier this month that it had set up a subsidiary called Life Insurance Company (LIC), capitalised at \$1.8m. Locals would be able to take out insurance of up to \$4,500. The company would also offer a special policy for children under 18. Annual per capita income is \$500 in Hanoi and \$300 in Ho Chi Minh City.

Vietnam's fledgling insurance industry was for years dominated by Bao Viet until its monopoly was broken last year with the establishment of Bao Minh, Nha Long Co, Pijico - a unit of the ministry of trade-controlled petroleum distributor - PetroVietnam Insurance Co and Vinare, a reinsurance company under the finance ministry.

No foreign company has been allowed to sell insurance products in Vietnam but Tokyo Marine & Fire Insurance of Japan and Commercial Union of the UK have signed a joint venture contract with Bao Viet which has yet to be licensed. Yasuda Fire & Marine Insurance and the Mitsui group are in talks with Ho Chi Minh City-based Bao Minh, for another joint venture.

Jeremy Grant, Bangkok

### Pakistan transport strike

A strike by commercial transport owners disrupted Pakistan's southern province of Sindh yesterday. The strike was held to protest against new taxes announced in last month's annual budget and affected Karachi, the southern port city and capital of Sindh, where traffic was thin and office attendance low.

The strike raised further concerns over the ability of the government to stay on course with last month's tax measures that have been opposed by a number of businesses and industries.

Farhan Bolhari, Islamabad

# South-east Asia takes stock of oversupply

Rising petrochemicals capacity could lead to battle for markets which could test free trade commitment

**A**sia's booming economies have been a haven for petrochemical companies seeking growth away from their subdivided traditional markets. But a recent surge in investment heralds an era of significant overcapacity and fierce price competition.

Nowhere are the symptoms more pronounced than in south-east Asia, where rapid economic growth and low rates of plastic consumption per capita have proven an irresistible lure for investors. But observers are now warning that unless several planned projects are scrapped, there may be a battle for market share which could severely test the commitment of south-east Asian nations to free trade.

"I am afraid competition will be so fierce that countries will say: to hell with free trade agreements," said a senior executive in a petrochemicals company, itself planning a big capacity expansion.

Even if the countries can manage to lower tariffs, I am sure there will be more subtle non-tariff barriers," he added.

If all the firm investment plans for the production of ethylene - the industry benchmark - are carried to fruition, south-east Asian nations could witness a capacity rise by 2003 of around 4m tonnes per annum (tpa), adding to a current capacity of around 2.2m tpa. If projects described as likely but still under study are embarked upon, a further 1.35m tpa capacity could be built by 2003.

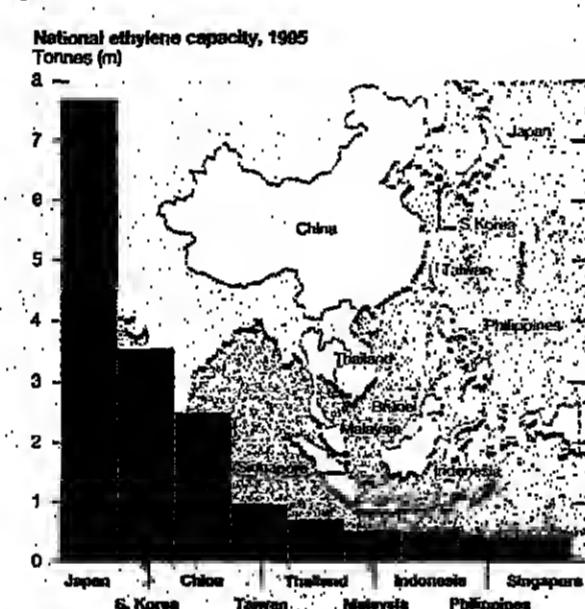
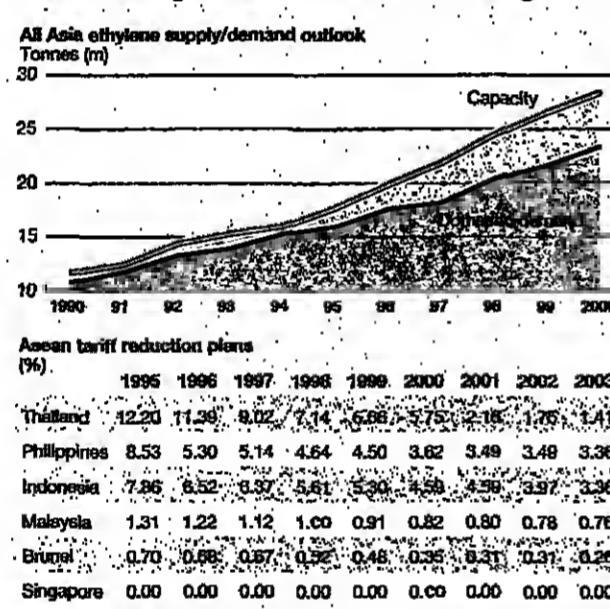
Demand, meanwhile, is expected to grow by around 8 per cent annually in the south-east Asian region, assuming that current rates of economic growth rates are maintained. On this basis, it is clear that demand will lag supply.

Producers aim to resolve this by displacing imports from their domestic markets, but this will be no easy task.

South Korea is an aggressive exporter of petrochemicals into the region, with considerable domestic overcapacity of its own.

Similarly, the petrochemical industries in Japan and Taiwan depend on sales into south-east Asia.

#### Asian ethylene: too much of a good thing?



#### 'Competition will become so fierce that countries will say: to hell with agreements on free trade'

Some observers suggest exports to China will provide a safety valve. But expansion plans for all of Asia point to oversupply even where Chinese demand is taken into account.

Such a prospect might be merely uncomfortable for some industries, but in the capital-intensive petrochemical business, where plants often have to run at over 90 per cent capacity to be profitable, it could be acutely painful.

"Even if you say that Asian capacity will grow at a compound 9.9 per cent annually between 1995 and 2003, which is very conservative, supply is still set to outstrip demand," said Mr Nicholas Smith, Asia regional chemicals analyst with Jardine Fleming in Tokyo.

In a recent report, Jardine Fleming predicted that a sustained phase of oversupply for basic chemicals (ethylene and its derivatives) could start as early as the end of 1997.

Some, however, are hopeful that the crunch can still be averted. "There may be a situation where supply far exceeds demand but so long as countries develop projects prudently, then this could be avoided," said Mr Smith.

He also said the issue was of great concern to the European Union but advised against singling out Pakistan.

Pakistan outlawed the use of bonded labour in 1991, though many critics charge that the practice still

continues, especially in the rural areas of the southern province of Sindh and the south of the province of Punjab.

Concerns have grown in recent months that western importers may restrict Pakistani exports, on the grounds that they were produced with the use of child or bonded labour.

Mr Marin said that his talks with President Farooq Leghari, Ms Benazir Bhutto, the prime minister, Mr Asif Ahmad Ali, the foreign minister and Mr Ahmed Mukhtar, the commerce minister - had centred on greater co-operation between the two sides.

Mr Asset, who was present at the news conference, said his talks with Mr Marin also covered India-Pakistan relations and their dispute over the Himalayan region of Kashmir.

Mr Marin reiterated that the position of the EU on the issue of Kashmir was that the question must be solved peacefully through negotiations between India and Pakistan.



By Farhan Bolhari  
In Islamabad

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## ATLANTA OLYMPICS

# First and last Games for St Kitts-Nevis

Caryl Phillips sees a small nation prepare: first the T-shirt, then the team

**S**t Kitts and Nevis, the tiny island federation in the eastern Caribbean, is one of 28 countries taking part in the Olympics for the first time. Unlike the other 27, this is likely to be St Kitts-Nevis' last Olympics as well.

But Atlanta is not St Kitts' first share of the games' spotlight. Eight years ago, in the wake of the Seoul Olympics, the twin island state attracted the attention of the world's sporting press as the home of the doctor and adviser to Ben Johnson, the sprinter stripped of his Olympic title for using drugs.

Then last Friday, as viewers throughout the Caribbean watched the coverage of the parade of nations at the opening ceremony carried by US network NBC, the realities of the Olympic games struck home again. Just as St Kitts-Nevis were about to enter the stadium, before an estimated 3.5m world television audience, NBC cut to a commercial break. The people of St Kitts-Nevis were outraged.

But four weeks ago the truth was most people in St Kitts-Nevis seemed unaware their country was about to participate in its first games. Alphonso Bridgewater, or Bridges, as the president of the local Olympic association is known to locals, tossed me a St Kitts Olympic T-shirt, and explained: "It's only when the team get to Atlanta that people will realise the importance of this venture."

The island federation in the Leeward Islands chain of the Caribbean, with a population of 44,000, gained independence from Britain in 1983, and since then has steadily developed a tourist industry to outstrip the traditional sugar crop as its chief money-spinner. Now, Bridges hoped entering the Olympic movement by the International Olympic Committee in 1992. This was not their first attempt to join but obstacles, in the form of administrative inertia, had been placed in their way. I was told there was some fear in IOC circles that admitting too many small nations, each with its own vote, might dilute the power of the larger nations. Inevitably the balance of power would begin to swing toward the "Third World", Bridges smiled. Ever the diplomat, he simply said that once such nations as Palestine and the newly-independent states of the former Soviet Union had been accepted, there was an outcry to join from small nations like St Kitts-Nevis.

Bridges conceded there were problems. In fact, more problems than I realised. I had forgotten that entry to most Olympic events means beating minimum qualifying standards. Four weeks before the games, only one athlete had qualified, Diana Dunrod-Francis, a 400m runner based in Alabama, who was expected back "home" any day.

However, there would soon be national trials, in the hope that locally based athletes might achieve the qualifying times in track distances between 100 and 500 metres.

People were training hard - running on the beach and around the cricket field - and Bridges and others had tried to implement a "nourishment programme" and some weight training. There was still time. The final trials were not until the next weekend.

The islands had come a long way since being accepted into the Olympic movement by the International Olympic Committee in 1992. This was not their first attempt to join but obstacles, in the form of administrative inertia, had been placed in their way. I was told there was some fear in IOC circles that admitting too many small nations, each with its own vote, might dilute the power of the larger nations. Inevitably the balance of power would begin to swing toward the "Third World", Bridges smiled. Ever the diplomat, he simply said that once such nations as Palestine and the newly-independent states of the former Soviet Union had been accepted, there was an outcry to join from small nations like St Kitts-Nevis.

In Atlanta, the IOC would provide a chauffeur car and luxury hotel for Bridges, and the same facilities would be offered to the secretary-general of the St Kitts-Nevis Olympic committee. The St Kitts-Nevis party would also include a chef de mission, a team manager, a national



Greeting the world - but only during the commercial break: the St Kitts-Nevis team at the opening ceremony in Atlanta

coach, and a physiotherapist. Denis Douglas, the prime minister, and his deputy would put in an appearance for three or four days.

Bridges thought St Kitts-Nevis might send up to eight athletes. The IOC would cover the airfare and accommodation for all participating athletes. Bridges suddenly looked more optimistic. In fact, there might be quite a contingent from St Kitts-Nevis.

What, I wondered, would Bridges consider to be success? First, he answered confidently, in the nation to be noticed. Second, an athlete recording a personal best performance. Third, anybody getting beyond the first round. Finally, that this energy be translated into facilities back home, beginning with a synthetic athletics track.

It was hard to argue with him, particularly on his final point. If somebody in government or business was inspired to sponsor some kind of facilities for young athletes by witnessing the efforts of the St Kitts-Nevis team, then everything would be worthwhile. Unfortunately, the Caribbean, with the possible exception of Jamaica, has a way of neglecting its own athletic talent. Many Caribbean-born athletes proudly adopt the colours of Britain, Holland or Canada. The men's sprint finals are traditionally full of such athletes.

St Kitts can claim to have helped produce an Olympic champion of sorts. Ben Johnson trained in St Kitts before the 1988 Olympics, blasting his way around the cricket field. Running for Canada, he won a gold medal in the 100m final before being stripped of it when his drug test was found to contain steroids. Johnson's doctor at the time, Jamie Astaphan, is a Kittitian who still practises medicine there; he is a pleasant and mild-mannered man and I've known him for many years.

In Atlanta last Friday morning checked the Olympic Infotel computer system in the main press centre. Facts and figures on St Kitts-Nevis flashed up on the screen: "There is periodic unemployment and inadequate housing. High infant mortality and emigration rates mean population growth is slow. Ninety per cent of the population is literate." But the computer could only tell me there was "no information available at this time" on the 1996 team. A few hours later this mystery would be solved.

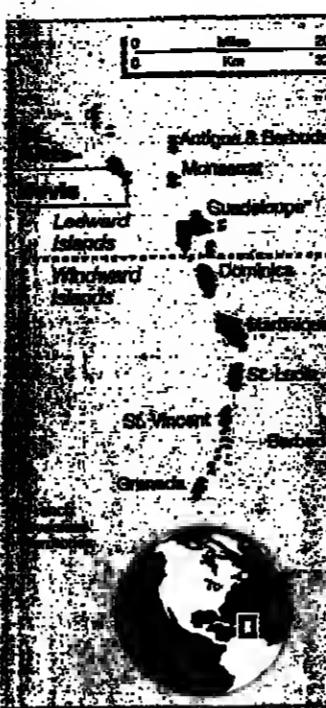
On Friday evening, 10 athletes from St Kitts-Nevis paraded around the Olympic stadium during the opening ceremony. Individual places had been confirmed in the

men's 100m and 200m and the women's 400m athletics races, but the bulk of the team would be taking part in relays. Bridges had agreed the team being decked out in eye-catching bauble colours and bling in the hope that they might attract the attention of the television cameras. They didn't.

After the ceremony I asked a smiling happy Bridges how he felt as the team entered the stadium. "It was akin to the lowering of the Union Jack during the independence ceremonies in 1983. We came of age," he said. "Sport can achieve more unity than politics or economics, and in many ways being a member of the IOC is as important as being a member of the United Nations."

Sadly, after these games, the process of application to join the IOC may have to begin anew. Nevis, with a total population of just over 9,000, has in the past month begun legal action to secede from St Kitts.

These games may be witnessing the first and last St Kitts-Nevis Olympic team. The nation "comes of age" even as it prepares to rend itself into two pieces. But relaxed and happy in humid Atlanta, Bridges has completed his goal. St Kitts-Nevis are at the games, and Bridges remains unconcerned that soon after he returns home he will be losing his other job, as head of the local Peace Corps, the US government-sponsored aid agency, which is pulling out of St Kitts at the end of the year. "I'll worry about that when I get home. Right now, we've got work to do."



## ATLANTA DIGEST

## First US medal given away

The first US medal of the Games was given away within minutes of its receipt on Saturday. The US women's swimming captain, Angel Martino, gave her bronze medal from the 100m freestyle to her friend, 20-year-old Trisha Henry, undergoing chemotherapy for cancer of the uterus. Testing positive for anabolic steroids after setting two national records in the 1995 US Olympic trials, she was suspended for 13 months and had her records wiped out.

Peter Aspin

## Longo -- at long last

The grand dame of cycling, Jeannie Longo of France, finally broke her Olympic jinx yesterday to win gold in the women's road race. Longo, 10-times world champion but denied an Olympic title by fate at three previous Games, dug deep to break clear of her two challengers - Imelda Chiappa of Italy and Canadian Clara Hughes - on the last of eight laps of the 13km AP circuit and finish the 104km course in 2:36.13.

## . . . and pass the ammunition

Russian soldier Olga Klochneva called on divine inspiration to depose compatriot Marina Logvinenko and win the women's 10-metre air pistol gold with an Olympic record score of 490.1 points yesterday. Asked how she managed to keep her nerve, Klochneva said: "I am a Christian. I believe in God. I think he helped me to win."



**Women's 100m breaststroke qualifiers:** 1 Panopea Heyns (South Africa) 1:07.02 (world record); 2 Amanda Beard (USA) 1:08.04; 3 Agnes Kovacs (Hungary) 1:09.05; 4 Samantha Riley (Australia) 1:09.37; 5 Vera Litschitz (Austria) 1:09.61; 6 Guylaine Cloutier (Canada) 1:09.72; 7 Svetlana Rostovtseva (Ukraine) 1:09.73; 8 Brigitte Beucie (Belgium) 1:09.83

**Water-polo:** Hungary 9, Germany 8; Yugoslavia 9, Russia 8.

**Judo half-heavyweights:** Second round: M. Fernandes (Brazil) beat Alejandro Bender (Argentina); S. Chakimov (Kazakhstan) beat N. Olevska (USSR); A. Felicite (Mauritius) beat Willian Bouza (Uruguay); Keith Morgan (Canada) beat Arturo Gutierrez (Mexico); Pawel Nestuls (Poland) beat Antal Kovacs (Hungary); Gigi Guido (Italy) beat Kharillo; Angel Sanchez Armentero (Cuba) beat Yvan Radu (Romania); Pedro Soares (Portugal) beat Detlef Knorrke (Germany).

**Third round:** Fernandes beat Chakimov; Felicite beat Morgan; Nestuls beat Guido; Soares beat Sanchez Armentero.

**Women's 10-metre air pistol finals:** 1 Olga Klochneva (Russia) 490.1; 2 Marina Logvinenko (Russia) 488.5; 3 Mariya Grozdeva (Bulgaria) 488.5

**Women's cycling road race:** 1 Jeannie Longo (France) 2:36.13; 2 Imelda Chiappa (Italy) 2:36.44; 3 Clara Hughes (Canada) 2:36.44.

**Men's 4x200m freestyle relay:** Heat 1: 1 Great Britain 7:21.92; 2 Germany 7:22.17; 3 Brazil 7:28.82; 4 Venezuela 7:32.63; 5 Croatia 7:33.69

Heat 2: 1 Italy 7:22.69; 2 Australia 7:23.34; 3 New Zealand 7:24.35; 4 Uzbekistan 7:40.60; 5 Ecuador 7:54.37; 6 Kyrgyzstan 8:00.00

Heat 3: 1 US 7:18.28; 2 Sweden 7:20.61; 3 France 7:22.98; 4 Netherlands 7:23.30; 5 South Korea 7:45.98; 6 Singapore 7:54.19.



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22 July 1996

The Financial Times plans to publish a Survey on

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The survey will look at the country's economy, politics, financial markets, foreign policy and more. For more information on advertising opportunities in this survey, please contact: Michael Geach in New York: Tel: (212) 688-6900 Fax: (212) 688-9229 or Juan Martinez Dugay in Mexico: Tel: (525) 395-5888 Fax: (525) 395-4985 or your usual Financial Times representative.

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Monday July 22 1996

**Hollinger proposes \$285m Fairfax share deal**

By Bernard Simon in Toronto

Mr Conrad Black's Hollinger International newspaper group may raise as much as \$285m through securities backed by his stake in John Fairfax, the Australian publisher.

Hollinger International, which is 66.5 per cent owned by Mr Black's main holding company, Toronto-based Hollinger Inc, also said it was terminating a planned international equity issue because of stock market turbulence.

The proposed Fairfax deal, disclosed in a filing to the US Securities and Exchange Commission, could lay the groundwork for the disposal of Mr Black's 24.7 per cent interest in the Australian chain, which is held through the UK's Telegraph group.

A decision is expected to hinge on a forthcoming review of media ownership rules by the Australian government. The rules presently bar Mr Black from owning more than 25 per cent of Fairfax. Depending on the outcome of the review, he is likely either to increase his stake or sell.

Hollinger said in the SEC filing that the securities would be designed "to monetise its investment in Fairfax... while retaining the option of maintaining or increasing its indirect holdings."

The scaled-back share issue is one of a number of debt and equity deals designed to replace short-term borrowings incurred in Hollinger's pending buy-out of minority shareholders in the Telegraph group and expansion of its stake in Canada's Southern newspaper chain from 21 to 41 per cent.

Analysts and credit rating agencies have expressed concern about the impact of the Telegraph and Southern deals on Hollinger's balance sheet.

Hollinger shares have dipped from a peak of \$135 on the New York Stock Exchange in May to \$10. They gained 25 cents on Friday. The equity issue, initially set to raise about \$425m, has been reduced from a minimum of 15m common shares and 21.5m convertible preferred shares to 10m and 16m respectively.

Hollinger did not elaborate on how it planned to monetise the Fairfax stake.

One widely used instrument is a debenture that allows repayment in cash or shares, at the issuer's option.



Conrad Black: waiting for media ownership review

By William Dawkins in Tokyo

Mr Taizo Nishimuro, the new president of Toshiba, Japan's second largest integrated electronics company, is planning to seek international alliances or closures where the group cannot compete effectively alone.

Mr Nishimuro, in his first interview with a foreign news paper since taking office last month, said he had launched a review of the group's operations, with the aim of focusing more sharply on basic

semiconductor technology, integrated systems (advanced microchips), visual communications and power generation, its core businesses.

"The technology and the businesses which we are engaged in are getting more complex. In these circumstances, if we try to do everything by ourselves, we are making a mistake. We would rather concentrate on businesses where we can claim to have something to contribute," he said.

Toshiba would seek new

international alliances in "potentially every business sector but wherever we feel it is better, not only with large, but also small enterprises".

The group already has joint ventures with Motorola of the US in semiconductors, Time Warner of the US in cable television, IBM in visual displays and Thomson Multimedia of France in video cassette recorders, among others.

Where alliances proved unsatisfactory, there would be closures, though Mr Nishimuro declined to specify, beyond say-

ing that they would be carried out in a "quiet and patient" manner.

Mr Nishimuro's appointment has been widely seen among other Japanese companies as a mark of change at Toshiba. He has spent most of his career working in semiconductors and consumer electronics, rather than engineering, as have most previous Toshiba presidents.

Group net profits declined in the three years to 1994, since when they have bounced back, with more than doubled profits

of Y90.4bn (\$825m) in the year to March, helped by strong demand for semiconductors, on a 7 per cent increase in group sales to Y5,120bn. But the company faces a sudden sharp drop in demand for semiconductors and fierce competition in multimedia.

However, Mr Nishimuro expects Toshiba's information technology, communications systems and semiconductors division to grow faster than its engineering interests over the next decade.

It will be helped by the

launch next autumn of the digital video disc player, widely tipped to be the most important consumer electronics product of the 1990s.

He predicted that the electronics businesses would account for 65 per cent of total sales in 10 years' time, up from 50 per cent last year. Of the remainder, 22 per cent was in heavy electrical apparatus, such as power generation equipment, and consumer products.

Fresh outlook at the top, Page 12

**LEGAL DEFINITIONS**

Liquidate v. 1 a blind date, usually with a member of the *Campaign For Real Ale*; 2 wind up the affairs of a company by ascertaining liabilities and apportioning assets, see ROWE & MAW; usap (pf 0171-248 4282)

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LAWYERS FOR BUSINESS

**INSIDE**

**Metallgesellschaft**

Metallgesellschaft, the German industrial and trading company that nearly collapsed in 1994, backed off at the weekend from an out-of-court settlement of bitter legal disputes with its former chairman, Mr Helmut Schmidheuer, saying he should admit clear responsibility for the crisis. Page 21

**Digital Domain**

Digital Domain, one of the largest of Hollywood's new breed of digital entertainment companies, is considering making a public share offering to finance its expansion into film production. Page 21

**Lucas Industries**

Lucas Industries, the UK automotive components group, appeared confident of completing its planned £12.2bn (\$18bn) merger with Vary Corporation of the US, despite suggestions that Caterpillar, the US earth moving equipment and diesel engine manufacturer, might mount a hostile bid for Vary. Page 20

**Global Investor**

Efficient market theory suggests stock picking should not work over the long run, although studies have shown that anomalies do persist. While some systems have produced brilliant results when back-tested over previous years, they seem to break down when hard cash is invested. Better luck will be needed for a new investment trust which is based on a theory of earnings momentum. Page 22

**Emerging Markets**

According to Mr Graham Carterwell, head of equities at Deutsche Morgan Grenfell, "Thailand's a manic-depressive market - when it's down it's the end of the world and everything's going to zero. And when it's up nothing can go wrong." Unfortunately, this year the mood is down. Page 24

The two groups' shares start trading separately next month amid less noise about a bid for the music side

**Thorn and EMI prepare to dance to different tunes**

A chapter of British corporate history will close today when Sir Colin Southgate announces the valedictory set of results of Thorn EMI, together with formal proposals for its demerger.

The stock market will be interested less in what Sir Colin says - most of the demerger details are known and few analysts have bothered to estimate quarterly figures - than in the outlook for the Thorn retail chains and EMI music group as independent entities. On Friday the group's shares closed at £17.35, a market value of £7.47bn (£11.6m).

The immediate concern for Thorn EMI's investors will be the value of the two companies' shares when they start trading separately next month. Yet the subtlety to the demerger, is whether it will, as the speculators hope, trigger a bid for EMI.

The scaled-back share issue is one of a number of debt and equity deals designed to replace short-term borrowings incurred in Hollinger's pending buy-out of minority shareholders in the Telegraph group and expansion of its stake in Canada's Southern newspaper chain from 21 to 41 per cent.

Analysts and credit rating agencies have expressed concern about the impact of the Telegraph and Southern deals on Hollinger's balance sheet.

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Hollinger did not elaborate on how it planned to monetise the Fairfax stake.

One widely used instrument is a debenture that allows repayment in cash or shares, at the issuer's option.

By Haig Simonian, Motor Industry Correspondent

GKN, the world's leading maker of constant velocity joints for the motor industry, has signed an exclusive deal to supply parts for Fiat's new Palio world car wherever it is built around the globe.

The secret deal is the first time a carmaker has agreed to let a components company supply crucial parts for a new model on such an international basis.

The Palio, designed for fast-growing car markets in south

America, Asia and eastern Europe, will probably be built in at least six countries, including Brazil, Argentina, Poland and India.

GKN declined to put a value on the deal. However, Fiat has said production of the Palio, launched in Brazil earlier this year, could reach up to 1m units a year at full tilt.

The agreement marks a further step in GKN's strategy to develop its international coverage to meet the needs of carmakers as the motor industry grows more global.

The UK group is expected

to announce a number of other transactions to reinforce its position as a leading international components maker.

In China, it plans to double its 25 per cent stake in Shanghai GKN Drive Shaft, a joint venture which supplies CVJs to Shanghai Volkswagen, the country's biggest carmaker. It

is also expected to announce that it will start manufacturing CVJs at its new site in northern China.

Thailand, which is establishing itself as a centre for the motor industry in Asia, is also

incurred to buy the Paramount movie studio. Walt Disney is still getting to grips with the recently acquired Capital Cities/ABC. Even Seagram, the market's favourite bidder given that EMI would neatly complement its MCA record labels, is said to be wary about entering investments after the costly MCA deal.

Another consideration is that the likely bidders have been distracted by other issues.

News Corp is concentrating on expansion in television, as illustrated by last week's \$2.5bn offer for New World Communications. Viacom is constrained by the debt

incurred to buy the Paramount movie studio. Walt Disney is still getting to grips with the recently acquired Capital Cities/ABC. Even Seagram, the market's favourite bidder given that EMI would neatly complement its MCA record labels, is said to be wary about entering investments after the costly MCA deal.

If there is no bid, what will happen to EMI's shares? Sir Colin insists that it justifies its premium on fundamentals given the music market's growth prospects and the

potential for diversification into music-related fields such as radio, television and direct record sales.

Yet analysts suspect that, even if a bid does not materialise promptly, the speculation will smoulder on. "The market won't believe EMI isn't going to bid for until it sees sworn affidavits from the head of every entertainment group after the costly MCA deal.

If there is no bid, what will happen to EMI's shares? Sir Colin insists that it justifies its premium on fundamentals given the music market's growth prospects and the

Alice Rawsthorn

**GKN in exclusive deal with Fiat**

By Geoff Dyer in London and David Owen in Paris

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Thailand, which is establishing itself as a centre for the motor industry in Asia, is also

under consideration for a new factory.

GKN makes about 40 per cent of the CVJs used by the world motor industry.

Although it supplies virtually

all the world's big carmakers, it has recently developed a particularly close relationship with Fiat.

The Italian company has been at the forefront of the accelerating trend towards "outsourcing". Many carmakers are now contracting out important functions to suppliers in order to reduce costs.

**Eurotunnel to face French court if deadline passes**

- Mr Robert Badinter and Lord Wakeham - to assist the negotiations, which began in September when Eurotunnel halted interest payments on \$3.4bn (£15.1bn) of debt.

However, the mandate of the two mediators, who last week

presented their report on progress in the talks to the French court, runs out on July 31.

At the group's annual meeting last month, Mr Patrick Ponsolle, co-chairman, said that if the company did not reach an outline refinancing agreement by the end of July, "we will never get there... [and] we will have to bear the consequences".

Lawyers said that if the president of the court believed an agreement was in sight he would probably ask for further informal arbitration, either by extending the mandate of the mediators or by asking different independent advisers to assist the talks.

However, the court would have the power to begin redressing

the consequences.

Advocates, the Association for the Defence of Eurotunnel Shareholders, acknowledged that the company could be put into administration if the deadline was not met.

However, Mr Joseph Gourton, vice-chairman of the shareholders' organisation, said: "We do not expect a bankruptcy. We still have some time left."

He thought a final decision on the company's future would not be made until the autumn.

Eurotunnel refused to com-

**Schroders**

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has acquired the assets of

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June 7, 1996

## COMPANIES AND FINANCE

# Lucas confident of completing Varsity merger

By Ross Tieman and John Griffiths

Lucas Industries last night appeared confident of completing its planned \$3.5bn (£4.95bn) merger with Varsity Corporation of the US, in spite of suggestions that Caterpillar, the US earth moving equipment and diesel engine manufacturer, might bid for Varsity.

Caterpillar, which has been aggressively expanding its die-

sel engines business by acquisition, is believed to be attracted by Varsity's UK-headquartered VarsityPerkins diesel engines business - one of the world's biggest independent diesel engine manufacturers.

However, an alternative possibility is that Caterpillar might make an offer for the business once the Lucas-Varsity merger was completed. Caterpillar yesterday would neither confirm nor deny its interest.

The driving force for the Lucas-Varsity merger is the desire to combine Lucas's brakes business with Varsity's Kelsey-Hayes subsidiary, a world leader in anti-lock braking systems for light trucks. Lucas-Varsity would be one of the world's top automotive component groups, with Varsity's Mr Victor Rice at its head.

But directors of Lucas and Varsity have yet to discuss

focusing the merged group. The future of VarsityPerkins and Lucas's aerospace components business are likely to be reviewed. Some within Lucas view both as "secondary" to the core automotive compo-

nents business. The future of VarsityPerkins' status as one of the world's biggest independent producers of diesel engines makes it an obvious user of Lucas's advanced diesel fuel injection systems. It builds

250,000 engines a year and plans to double this rate of output by the end of the decade, partly by moving into areas such as large-capacity executive car diesels.

However, Lucas has a global network of car and truck makers for whom it develops, as well as supplies, diesel systems. Some regard VarsityPerkins as a rival and may not welcome such a close association between VarsityPerkins

and a company they have entrusted with their evolving engine technology.

Assuming that the merger does go through, Lucas will have to assess whether prospects for the \$350m turnover diesel engines business outweigh potential difficulties with other buyers of Lucas diesel systems. A sale of VarsityPerkins to Caterpillar or another US rival Cummins could provide a satisfactory solution.

## Sharp rise in bid activity

By Motoko Rich

UK bid activity increased by nearly 50 per cent in the year to March 31, reaching its highest level since the end of the 1980s.

According to the Takeover Panel's annual report, there were more takeovers or merger proposals published in 1995-96 than in any of the previous six years.

Some 156 takeover or merger proposals were published, up from 108. Of these, 151 (106) issued formal documents - associated with 145 target companies.

Of the formal offers, 37 were not recommended initially and 32 of these remained hostile. Of the unrecommended bids, eight lapsed.

The panel consulted on a further 241 cases which either did not lead to published proposals, were waived in cases involving very few shareholders, or involved controlling blocks of shares.

The high level of activity helped the panel move than double its surplus after interest and tax to £2.02m (£200,000), on income of £5.49m (£4.6m). The accumulated surplus was £7.65m.

The contract rate levy will be cut from 21 to 25p per transaction from February 1.

## Goldman buys CINMan

By John Gapper, Banking Editor

Goldman Sachs, the US investment bank, is to buy CINMan, the pension fund manager for 500,000 current and former UK coal industry employees. The deal concludes a 16-month effort to sell CINMan.

The sale includes a six-year management agreement covering 51.9% of CINMan's assets which are held in marketable securities. A further £2bn is held in property.

The deal gives Goldman Sachs Asset Management its first chance to manage a balanced portfolio in the UK. The firm already employs fund managers in the UK, but they invest overseas funds in European securities.

CINMan is thought to have paid between £40m and £50m to buy CINMan. Most of its 55

employees will transfer to GSAM, and will continue to invest the coal industry pension fund liabilities.

GSAM was among five institutions bidding for CINMan, which was originally sold for £70m to Friends Provident in December. However, the Friends Provident deal fell through within six weeks when the fund managers rejected it.

The enlarged GSAM will have about £85bn (£54.4bn) under management. The deal is part of GSAM's efforts to manage large, complex portfolios for which it can use its global asset allocation techniques.

Mr David Ford, co-chief executive of GSAM, said he believed its ability to improve the investment performance of the coal industry better than CINMan's ownership would give CINMan's staff new opportunities.

## Bank of Scotland awaits fate of stake this week

By George Graham, Banking Correspondent

Bank of Scotland will this week learn the fate of the 29 per cent stake which Standard Life, its largest shareholder for the last 11 years, has put up for sale.

After two weeks of roadshows, which have coincided with some of the most turbulent stock market conditions for years, investment bankers at BZW will today begin gathering orders for the shares in the bookbuilding process.

Mr Bruce Pattullo, the bank's governor, hopes the technique will help to avoid pushing the shares down.

"We are quite glad Standard Life did not go for a bought deal, because by definition a bought deal is going to be done at a discount," he said.

But with conditions so volatile, some analysts believe investors will be reluctant to stick their necks out on the right price for the shares.

The bank has one of the sector's best track records. Yet many investors are uncertain whether this will translate into a rising share price in future.

"It is a well-managed bank and it has had a premium rating for as long as I can remember. The question you have to ask is, was that premium rating created by the quality of

it more precise idea of their appetite at a range of prices.

"If you can get a real idea of the investors' demand elasticity, you have a much better chance of pricing it right," said an investment banker who has been involved in several bookbuilding exercises.

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"It is a well-managed bank and it has had a premium rating for as long as I can remember. The question you have to ask is, was that premium rating created by the quality of

the management, or by the fact that 32 per cent of the shares were locked up in the hands of Standard Life," said Mr David Poutney of Pannure Gordon.

Its post-tax return over the past nine years and Sir Bruce boasts it has increased its dividends for the past 24.

Critics counter that its dividend yield is still the lowest in the sector and that other banks have caught up with its return on equity. Moreover, its loan growth has been much faster than rivals, lowering its return on weighted risk assets to just 0.65 per cent, some 40 per cent below the sector average.

Although the share price has held up well in the recent market turmoil at about 23p, many institutions are still seeking a discount of about 10 per cent from the trading range before the offering of 24p-24.5p.

"You are absorbing a lot of the net buying demand for months to come, so the price will go to sleep. That means that people will want it to look explicitly cheap," concluded one analyst.

On Thursday, as the group announces an expected drop in interim profits, Mr Charles Miller Smith, chief executive, will face tough questions on how he plans to meet his pledges.

Mr Miller Smith has yet to provide details of the "value gap" programme, which he said last year would be at the heart of a new direction for the group. "All we have heard so far is very nebulous," said one analyst. "We are going to need something far more concrete."

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This pressure for information has intensified as the out-

## Three in frame for Westminster Press sale

By David Blackwell

Three bidders are likely to emerge before the end of this month for Westminster Press, the UK regional newspaper business which was put up for sale last month by Pearson, the media group.

The three are understood to be Mirror Group Newspapers acting with Independent Newspapers, the Irish media group; Newsquest, a management buy-out from Reed Elsevier last year, led by Kohlberg Kravis Roberts; the US investment firm; and Cimex, the venture capital group. Due diligence operations started last week.

Among those that have fallen by the wayside - perhaps deterred by the minimum £200m price tag - are United News and Media and Daily Mail and General Trust.

Mr John Makinson, Pearson finance director, last month described the disposal as "a sensible way to free resources to achieve better positions in the group's chosen international markets of information, education and entertainment."

## Takeover bid for Leeds FC in court

By Patrick Harverson

A High Court judge will decide this week whether the £16.5m takeover of Leeds United Football Club by Caspian, the publicly quoted media group, should be allowed to proceed.

The court today will hear a petition lodged by Mr Peter Gilman, one of Leeds' three executive directors, asking for the deal to be blocked on the grounds that it breached a prior agreement he had struck with the Yorkshire club's other two directors.

Just over a fortnight ago the two directors, Mr Leslie Silver, the former Leeds chairman, and Mr Bill Fotherby, the current chairman, accepted an £8.50 a share offer from Caspian. They rejected a higher

rival bid from Conrad, the sports and leisure group, that Mr Gilman had backed.

He claims their deal breached a verbal agreement between the directors that each would be given first refusal on their shares in the event of an offer for the club.

Each of the directors owned stakes of 3.26 per cent.

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## NEWS DIGEST

Nestle raises holding to 4%

Wolford earnings up

Deutsche Bank sells

Canadian pulp group

## Costain vote 'too close to call'



Alan Lovell: receiver of Costain faced if shareholders block rescue plan

By Andrew Taylor, Construction Correspondent

Today's vote by Costain shareholders on a £73.6m rescue share issue, "was too close to call", Mr Alan Lovell, chief executive, said last night.

Intra, a Malaysian construction company which is underwriting a large part of the issue, is expected to be left with a stake of up to 40 per cent of the enlarged capital.

Mr Lovell has said that Costain would be forced into receivership if shareholders blocked the issue.

Costain's bankers, which are also underwriting the issue, could be left with a holding of up to 35 per cent, swapping debt for equity.

Shareholders are being offered three new shares at 50p each for every one owned. The shares, suspended this month at 30p, will be relisted if the proposals are approved.

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Mr Miller Smith has yet to provide details of the "value gap" programme, which he said last year would be at the heart of a new direction for the group. "All we have heard so far is very nebulous," said one analyst.

The slide has been caused by external factors, with overcapacity triggering reversal in ICI's star business, polyester, and weak demand causing a slowdown in its other growth centre, the materials division.

However, it has also thrown the spotlight on to the potential of the value gap programme, which has left analysts floundering. "We are simply being asked to take the £400m on trust," said one.

ICI's Tioxide subsidiary is overhauling 15 sites, starting with Grimsby. Grimsby is investing £10m in manufacturing improvements, which it believes will cut costs by 15 per cent within 18 months.

## ICI set to detail £400m cost cuts

By Jenny Luesby

Imperial Chemical Industries will this week unveil details of its £400m cost-cutting and efficiency drive in an effort to stem the slide in its share price, which has fallen by more than 17 per cent in three months.

On Thursday, as the group announces an expected drop in interim profits, Mr Charles Miller Smith, chief executive,

will face tough questions on how he plans to meet his pledges.

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This pressure for information has intensified as the out-

## Schlumberger 1996 second quarter earnings

New York, July 18 - Schlumberger Limited reported today that net income was \$197 million and earnings per share were \$0.80, gains of 18% and 16%, respectively, compared to second quarter 1995. For the quarter, operating revenue was \$2.15 billion, 15% above the prior year. For the first six months, operating revenue was 15% above the prior year. For the first six months, operating revenue was 15% above the prior year while net income was up 17%.

Chairman and Chief Executive Officer Euan Baird stated: "The continued strong growth of all our Offshore Services product lines reflects the increasing confidence of our clients in their upstream operations and the commitments we have made to a broad range of technologies focused on improving productivity. The Measurement & Systems business had a poor quarter, mainly due to market pressures arising from significant technology changes and the confusion caused by deregulation in the electricity and gas utility businesses in Europe."

Offshore Services revenue rose 22%, while the rig count worldwide increased 7%. All product lines contributed significantly to this quarter's results, including a profitable contribution from GeoPrakta.

Measurement & Systems revenue increased 2% compared to the same period last year, with strong growth from Electronic Transactions largely being offset by lower metering revenue.

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The Notes are to be redeemed at the main offices of Citicorp, N.Y. in London, Frankfurt am Main and Brussels, or the main office of Citicorp Bank (Luxembourg) S.A. in Luxembourg, or the main office of Citicorp Bank (Switzerland) in Zurich and the main office of Citicorp Bank (Kreditanstalt für Wiederaufbau) in Oslo. The Notes, together with all interest coupons maturing subsequent to the Redemption Date attached hereto, should be presented and surrendered at the offices set forth above on the Redemption Date.

July 22, 1996, London  
By Citicorp, N.Y. Corporate Agency & Trust, Paying Agent

CITIBANK

JULY 22, 1996





# MARKETS

THIS WEEK

Global Investor / Philip Coggan

## How to pick a market winner

**S**tock picking systems have an easily understood appeal. If one can find a set of hard and fast rules which select market winners, a lot of the anxiety can be removed from the investment process.

Efficient market theory suggests that such strategies should not work over the long run. If stocks are high-yielding, for example, that suggests the investor is incurring higher-than-average risk. But a number of studies has shown that anomalies do persist over a long period of time.

Mr Jim O'Shaughnessy, a US fund manager, conducted research showing that a portfolio of 50 stocks with the lowest price-to-sales ratios beat the market by three percentage points per annum over a 40-year period. Other strategies,

such as selecting the stocks which have risen fastest over the previous 12 months, have also beaten the index.

But the trouble is that such systems, while producing brilliant results when back-tested over previous years, seem to break down when hard cash is invested. The O'Higgins theory, which finds the ten highest-yielding stocks in the Dow and selects the five with the lowest share prices, has performed well in the US.

It also seemed to work in the UK (when applied to the FT 30) but the introduction of a personal equity plan based on the system seems to have coincided with one of the method's worst performance periods.

Better luck will be needed for a new investment trust from Thornton Fund Management based on a theory of

earnings momentum. It looks for small company shares where brokers have been upgrading earnings forecasts over the past three months.

Thornton did a study dating back to 1988 using stocks in the Stoxx Govt Smaller Companies Index, and brokers' earnings forecasts supplied by IBES. The stocks covered were divided into sections: those where forecasts rose; those where they fell; and those where they were unchanged.

The risers and fallers were further divided in half, based on the size of the change.

A "rolling portfolio" was then constructed, consisting of four sub-sets. Each quarter a new sub-set would be created and then held for a year. Gratifyingly, the companies which showed the biggest increase in earnings forecasts produced

easily the best returns.

Even allowing for annual costs of 7 per cent, the "highest upgraders" portfolio returned 12.9 per cent per annum, well ahead of the 4.2 per cent recorded by the FTSE Small Cap (excluding investment trusts) index.

Why should this discrepancy occur? Several US studies have focused on the success of stock-picking methods which use earnings momentum. Research by Professor Jeremy Siegel at the Wharton School in Philadelphia found that even investors who bought the "Nifty Fifty" - a set of stocks in the 1970s which were bid up to stratospheric price-earnings ratios on the basis of their continued earnings growth - outperformed the index over a 25-year period.

Focusing on smaller compa-

nies appears to make sense. Markets in such stocks are likely to be less efficient and it takes longer for an improved view of a company's prospects to be reflected in its share price. The Thornton system is picking up stocks where forecasts changed anything from two weeks to three months ago. The biggest element of outperformance came in the first three months after purchase. In part, this may result from other analysts catching up in response to an upgrade by the house broker.

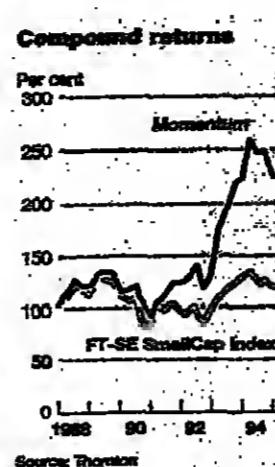
Another factor may be that small companies get "on a roll" with a period of success in response to a new product or management change. Similarly, when news starts to turn bad for a company, it usually gets worse - the first earnings downgrade is rarely the last.

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Focusing on smaller compa-



Source: Thornton

Total return in local currency to 16/7/96

	% change over period			
	US	Japan	Germany	France
Cash	0.10	-0.01	0.08	0.07
Week	0.45	0.04	0.28	0.75
Month	5.41	0.83	4.83	11.80
Year				7.27
Bonds 3-5 year				
Week	0.73	-0.28	0.75	0.04
Month	1.27	-0.48	1.05	1.25
Year	4.84	1.82	9.02	11.47
Bonds 7-10 year				
Week	1.34	-0.41	1.05	1.05
Month	1.97	-0.72	1.05	1.15
Year	4.84	1.48	10.85	14.01
Equities				
Week	-0.1	-1.8	-2.5	-3.1
Month	-2.7	-3.8	-4.7	-7.0
Year	17.8	22.7	14.5	18.1

Source: Cash &amp; Bonds, Lehman Brothers

The FTSE Actuaries World Indices are daily compiled by FTSE International Limited, Goldman, Sachs &amp; Co. and Standard &amp; Poor's.

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## MARKETS: This Week

The stock and bond markets are likely to stay on edge this week as investors concentrate on earnings and interest rates. This week will bring guidance on both.

So far, the quarterly results season has been dominated by hi-tech stocks such as Texas Instruments, which was disappointing, and Intel, which was the reverse. This week is expected to bring lower earnings from IBM. But there will also be a broader sweep of results by sector than last week, from chemicals to consumer goods.

Chemical groups at the commodity end of the business, such as Dow and Union Carbide, will probably show earnings declines.

Others, such as Monsanto, may be ahead. Big consumer groups such as PepsiCo, Anheuser-Busch and Colgate Palmolive are expected to show continued earnings growth.

In the bond market,

attention will be focused again on Mr Greenspan, who gives his Humphrey-Hawkins testimony to Congress on Tuesday following last week's appearance before the Senate banking committee. If that performance is any guide, both bulls and bears will go away convinced Mr Greenspan is on their side.

This Thursday brings a flurry of statistics from the real economy: durable orders for



June, expected to be flat after the previous month's rise, and sales of existing homes, expected to be down.

Tuesday and Wednesday will see the large of cancelled IPOs from hi-tech companies is anything to go by, this is not the best time to be offering new stock to the market.

The equity market, finally, will wonder whether the recent correction - 6 per cent from April's peak so far, or some 350 points - has run its course. No one is counting on it.

UK investors may be hoping for a quiet week after the turmoil prompted by last week's volatility on Wall Street. The shock waves briefly took the FTSE 100 index through the bottom of its recent 3,650-3,850 range but by the end of the week, had been restored.

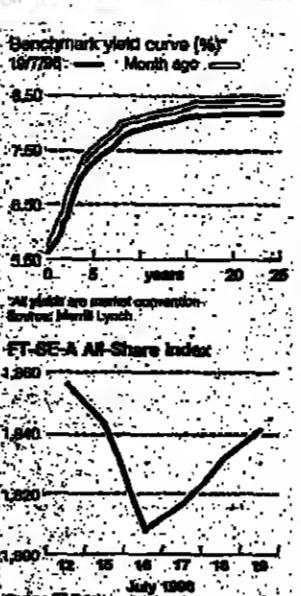
The disagreement over the last base rate cut between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, was revealed last week.

As a result, the week's batch of economic statistics will be studied closely to see if the chancellor can justify a further reduction; weakness in today's CBI industrial trends survey or in Friday's second-quarter gross domestic product numbers would strengthen the chancellor's hand.

The governor, and indeed the gilt market, will be more concerned about the June retail sales figures to be published on Wednesday.

Trading statements from the quoted high street retailers indicate that consumers are spending again; the official numbers have not been quite so buoyant; this could be the time when they come into line.

Equity investors, while keeping a wary eye on the US market, will at least have some corporate news to keep their interest. The results season



revives a bit, with figures from such leading companies as BT, ICI, Lloyds Abbey Life, Lloyds TSB, Reuters, SmithKline Beecham and Thorn EMI.

A host of companies also hold their annual general meetings.

Some startling news may be needed from the boardrooms to boost trading volumes, as the holiday season gets to full swing and dealers, who proved to be easily distracted by Euro 96 and Wimbledon earlier in the summer, have their eyes diverted towards the Olympics.

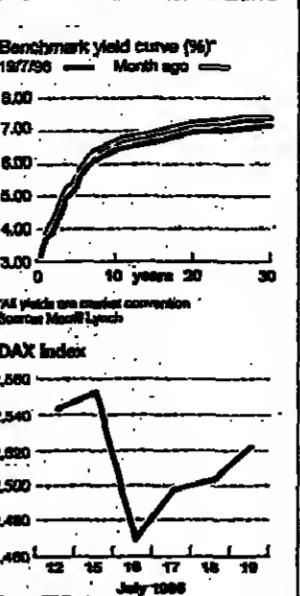
With the D-Mark on the rise and the German economy faltering, interest rate cuts are in the air again. Thursday's meeting of the Bundesbank council, the last before the summer break, could well see a return to variable rate tenders for securities repurchase (repo) deals. Thus the way could be set for further declines in the 3.3 per cent rate, which has scope to go down to 3 per cent.

Expectations of such a move, with the repo possibly easing initially to around 3.25 per cent, were nourished last week by the worsening of the Ifo economic research institute's business climate index in June and a decline in the (still high) growth rate of M3.

Thus, economists concluded that repo cuts were on the way. Inflation remains low, which is likely to be confirmed this week by provisional July inflation figures, so there are few worries on that score.

Not long ago, said J.P. Morgan, "everything pointed to a boring summer for Bundesbank watchers". But the Ifo data and slower M3 and credit growth have changed the picture. So has the renewed rise in the D-Mark, which appreciated by about 1 per cent in a week in trade-weighted terms and 3 per cent against the dollar.

With markets jittery over developments in the US, though fears of a US interest rate rise have receded, the Bundesbank wants to keep conditions calm.

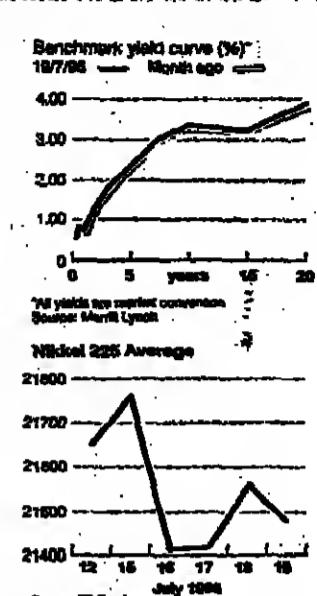


The German stock market has retreated in the face of Wall Street's volatility, but has kept a steady downturn.

Investors' nerves will be tested in coming weeks, though corporate profit expectations remain positive.

Shares are also still vulnerable to technical selling linked to arbitrage unwinding and concern prevails over interest rates, affecting the futures market. Futures-led selling could weigh on the market amid sluggish volumes. Worries on interest rates also continue to plague the bond and money markets. Short-term interest rates have failed to ease, in spite of monetary operations by the Bank of Japan providing ample funds last week due to active fund-raising by banks.

The overnight call rate rose to 0.5 per cent, level with the official discount rate at one point last week. Concern over long-term interest rates has prompted financial institutions to focus on the short end for funding.



The plunge in US shares last week, prompted by earnings fears, led US funds to take profits on their Japanese holdings. Stocks with high foreign ownership, including Sony, the consumer electronics company, and Canon, the precision camera maker, were hit hardest.

Domestic pension funds and public money are expected to provide underlying support to the Nikkei 225 around 21,400, the closing level at the fiscal year-end on March 31.

Preventing a sharp drop in share prices, however, active domestic buying is unlikely due to expectations of foreign selling.

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The BoJ is expected to continue to inject excess liquidity into the money markets to dispel concern over a change in monetary policy. However, a consensus is that it will implement a gradual shift in its stance after the summer, and active buying of bonds is unlikely, say traders.

## Strike fears boost aluminium

After being dragged up and down, along with the other London Metal Exchange base metals contracts, by the volatile copper market, the aluminium contract could be setting out on its own this week.

The possibility of a strike at Alcan's Canada's 272,000 tonnes-a-year Kitimat smelter after the expiry of the current labour contract at midnight tomorrow was already having an effect on the price of the white metal at the end of last week.

A \$12 a tonne rise on Friday left the three-month delivery position up \$12 on the week at \$1,955.50 a tonne.

Alcan had sought to call in a mediator to resolve the deadlocked dispute but was prevented from doing so by union

leaders, who did not want mediation to prevent them from acting on their strike mandate, which comes into operation on Wednesday.

The union said the company had made no contract offer on key issues such as wages, cost-of-living adjustments, pension provisions, early retirement benefits, or vacation allowances, Reuters news agency reported on Friday.

Brazilian weather will be the main focus of interest in the coffee market for the next day or two. Local weather services have been forecasting that a polar air mass will bring frost in some coffee regions, thus

In London on Thursday, the International Grains Council published the July edition of its international market report.

between zero and 4°C, with the chance of frost mainly in low-lying areas," Mr Mario Massari, private forecasting service Somar Meteorologia, told Reuters on Friday.

However, Weather Services, the US private forecaster, doubted that any significant damage would result.

Events this week include the publication today of the International Primary Aluminium Institute's production data for June.

Also today, in Washington, the US Department of Agriculture will issue its latest Agricultural Situation and Outlook summary.

In London on Thursday, the International Grains Council published the July edition of its international market report.

The market is set for a heavy results week, with first-half figures due to be released from both Philips and Polygram, says John Pitt.

Polygram comes out first, on the 24th, and analysts have pencilled in expectations of profits of around F1 250m, which is a slight decrease on the 1995 period.

The company's problems are directly related to the fall in music profits, but analysts feel that this has already been factored into the recent share price movement and do not foresee anything dramatic happening to the price as a consequence.

Philips will suffer because of the problems being experienced in the semiconductor industry worldwide. However, the company is much more

exposed to the consumer electronics market than it is to semiconductors, and the slowdown in demand throughout Europe is bound to hit the results. The shares have been languishing during the first quarter, against a strong overall market.

LISBON

Last month's successful privatisation of a 22 per cent stake in Portugal Telecom has stimulated foreign demand for Portuguese equities beyond local analysts' expectations.

The market, which fell by 4.5 per cent in 1995, has risen by 20 per cent in local currency terms, and by about 15.5 per cent in dollar terms, since the start of the year, prompting some analysts to adopt a defensive view. They argue that the market can only rise more slowly until the end of the year.

as hopes fade for significant further interest rate cuts.

However, strong demand from non-residents is expected for the 45 per cent of Cimpor, the country's largest cement producer, which is scheduled to be privatised in October.

Its shares have traded at record highs recently on speculation over where the government would fix the price for the sell-off. Heavy trade is also expected in the state controlled Banco de Fomento e Exterior in the run up to its privatisation later in the summer.

Lehman Brothers said in a note last week that although Portugal would be better classified as a mature European economy, rather than as an emerging market, its stockmarket has outperformed emerging market benchmark indices since the start of the year.

It says that the listing of privatised companies has

enhanced valuation and growth prospects of the market as a whole, while at the same time diversified the index and increased the free float.

In the longer term, Lehman expects Lisbon to benefit as higher domestic and foreign participation increases market liquidity and trading volumes. It says that privatisation programme has encouraged Portuguese institutions to increase equity weightings, but from a very low base. This trend will accelerate as more companies are privatised and listed.

HONG KONG

With concerns of an immediate rise in interest rates calmed by Mr Alan Greenspan, US Federal Reserve chairman, on Thursday, the Hong Kong stock market is expected to be firmer this week, writes Louise Lucas.

Moreover, with the benchmark Hang Seng index at 10,845.30, brokers reckon there is room for bargain hunters to move in.

However, Wall Street and the US long bond yield will continue to provide cues for trading in the colony, and further bouts of volatility are also being forecast, especially towards the end of the month when futures contracts expire.

The market is on a price earnings multiple of around 12.5 times this year's earnings and around 11 times next year's earnings, relatively cheap compared with last year's 14.2 times.

Investors are still wary of China related shares, and last week Shanghai Petrochemical - one of the biggest Hong Kong-listed China companies, or H-shares - scrapped plans to issue new scrip as its share price dived.

## Bundesbank speculation set to dominate the mood

Speculation that the Bundesbank might deliver a long-awaited cut in the German securities repurchase (repo) rate at its meeting on Thursday, its last before the summer recess, is likely to dominate the mood on the foreign exchanges this week.

Some traders expect the Bundesbank to cut the repo rate by between 10 and 20 basis points from 3.30 per cent to help revive the economy.

German cost of living figures towards the end of this week are expected to show inflationary pressures remaining subdued this month.

Along with data on Friday which showed M3 money supply eased slightly last month, these figures should strengthen the case for a monetary easing.

A cut in the repo rate is likely to provide some support for the dollar, which ended on

a weak note last week despite reassuring comments on inflation by Mr Alan Greenspan, the Federal Reserve chairman. The US currency slipped amid speculation of an imminent rise in Japanese interest rates but expectations of a German rate cut might provide higher yielding European currencies such as the Italian lira and the Spanish peseta with greater support.

They lost out last week against the D-Mark as the dollar weakened. But a cut in German interest rates, which could signal a decline in the D-Mark, might restore some stability to them.

Italian consumer price inflation, due today, could bolster expectations of a cut in Italian interest rates.

In the UK, a slew of economic data - including the Confederation of British Industry's quarterly survey and

retail sales figures for June - will provide the latest snapshot of economic activity.

The pound rebounded last week following confirmation that the chancellor cut interest rates last month against the advice of the Bank of England and as the dollar fell.

Sterling may weaken further if investors suspect Mr Clarke will push for another rate cut in an attempt to deliver faster growth ahead of the election.

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For holders of registered units, the dividend will be distributed in accordance with individual mandating instructions in place.

Payments will be made subject to any applicable fiscal or other regulations within fourteen days of such presentation.

Due to new legislation a new Prospectus for the Worldinvest Income Fund has been produced and will be available from September 1, 1996 at the offices of the Manager.

WORLDINVEST NOTICE WORLDINVEST INCOME FUND DECLARATION OF DIVIDEND No. 39

The Trustees of the Worldinvest Income Fund are pleased to announce an interim US\$7.50 per share distribution to Shareholders in respect of the half-year period from December 29, 1995 to June 27, 1996.

For holders of bearer units with accompanying coupons, Coupon Number 39, and any previously unpresented coupons, may be presented for payment on or after August 1, 1996 to:

BankAmerica Trust Company (Jersey) Limited,  
PO Box 120, Union House, Union Street, St. Helier,  
JERSEY, JE4 8QE, Channel Islands

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WORLDINVEST EXCELLE GLOBAL FIXED INCOME SUB-FUND DECLARATION OF DIVIDEND No. 7

The Trustees of the Worldinvest Excelle Fund are pleased to announce an interim £0.28 per share distribution to Shareholders of the Global Fixed Income Sub-fund in respect of the half-year period from December 29, 1995 to June 25, 1996.

The dividend will be distributed in accordance with individual mandating instructions in place and will be paid on August 1, 1996.

For further details and accounts for both the Worldinvest Income Fund and the Worldinvest Fixed Income Fund will be available from August 20, 1996 at the offices of the Manager.

Worldinvest (Management) Jersey Limited

July 22, 1996

	E STG	US \$	D-MARK	YEN (X 100)	E STG	US \$	D-MARK	YEN (X 100)
Afghanistan	100.00	100.00	319.13	499.00	100.00	100.00	320.00	500.00
Algeria	100.00	100.00	85.7116	91.7				

## MARKETS: This Week

EMERGING MARKETS BY WILLIAM KOPP

# Bangkok beaten but unbowed

Do not be surprised if second-quarter earnings figures are released late in Thailand this year when profits are going to be bad, companies can delay until an avalanche of results has hit the market.

This is what happened in May, when lousy first-quarter earnings knocked the remaining wind out of an already weakened market; companies sought safety in numbers by releasing the bulk of the results over just two days.

The Thai stock market has been beaten like a gong with bad news this year. The Stock Exchange of Thailand index has fallen some 100 points, or 8 per cent, since the beginning of this year.

So no-one expects to be nicely surprised by Thai second-quarter earnings, whether they arrive in the next two weeks or - late - in August.

"They'll be pretty horrible. Earnings growth expectations have taken a beating and I think they are going to take another one," said Mr Russell Kopp, head of research at Crosby Research in Bangkok.

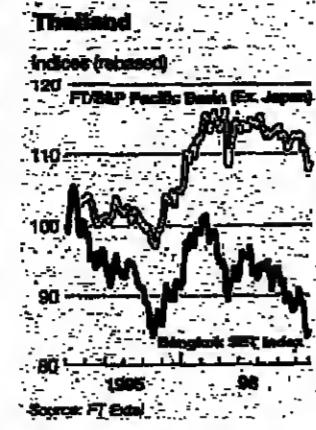
This is a very different time to the one many investors were playing in January, when they looked forward to hefty flows of money from the US pushing prices skywards to the accompaniment of robust earnings.

When some US money started nibbling at Thai shares in the New Year there was a rush of optimism that after a terrible 1995 - when it had

been the region's worst performer after Taiwan - the Thai market's luck had turned.

"The savvy boys were saying 'We're very bright and we are going to buy before the Americans pile in,'" said Mr Kopp. "Unfortunately, the Americans didn't buy."

The excitement quickly fizzled out when, by February, it was clear no liquidity-driven rally was in the offing. Two months later the market was hit by disastrous second-quarter results: the SET index fell below 1,300, after climbing to 1,420 from 1,280 at the beginning of the year.



Source: FT.com

In the ensuing weeks nerves about the over-supplied property market helped bring the index down to 1,280. Recently worried about second-quarter earnings have pushed it even further, to around 1,180.

Quite why so many people thought earnings would be so good this year is a mystery; at the start of the year the consensus earnings growth forecast was over 20 per cent.

Many forecasts appear to have been caught flat-footed by the length of time the central bank has kept money tight. Though the Bank of Thailand's action has been justified by the need to cool the economy, it hit business when exports were slowing in the face of declining global demand.

Economic growth could dip below 8 per cent this year for the first time this decade. Exports climbed only 5.9 per

cent in the first five months compared with a full-year target of 18 per cent.

But with the current account deficit threatening to go beyond the record deficit of 8.1 per cent of GDP in 1988, and consumer price inflation still looking strong after last year's 5.8 per cent increase, the Bank of Thailand delayed easing its policy until June - after marked signs of a slowdown.

"Basically, I've given up on earnings growth this year - it will be no more than 8 per cent," said Mr Srian Pisters, strategist with the Nomura Research Institute in Bangkok. But he is optimistic for the next 12 months because he thinks earnings will recover with the help of a modest decline in interest rates of up to 1.0 basis points.

Investors already have mingling fears for the Thai economy. Some brokers now expect the sort of post-election rally that greeted Mr Chuan Leekpai, the reforming prime minister, in 1992 and hope declining internal change could tempt Thailand's important retail investors into the market.

This may be optimistic, for retail investors have been badly hurt by the forced sales from sticking to home ground. The San Francisco-based bank made its debut on one of China's volatile B-share markets - those theoretically reserved for foreign investors but increasingly being bought by domestic Chinese.

The HK\$477.3m issue, on behalf of the Guangdong Provincial Expressway Development Company, was some three times subscribed, despite being the highest priced B-share to come to market this

year and suffering from poor timing.

The offer coincided not only with a period of turbulence on the Chinese markets but also with two Hong Kong-backed infrastructure issues.

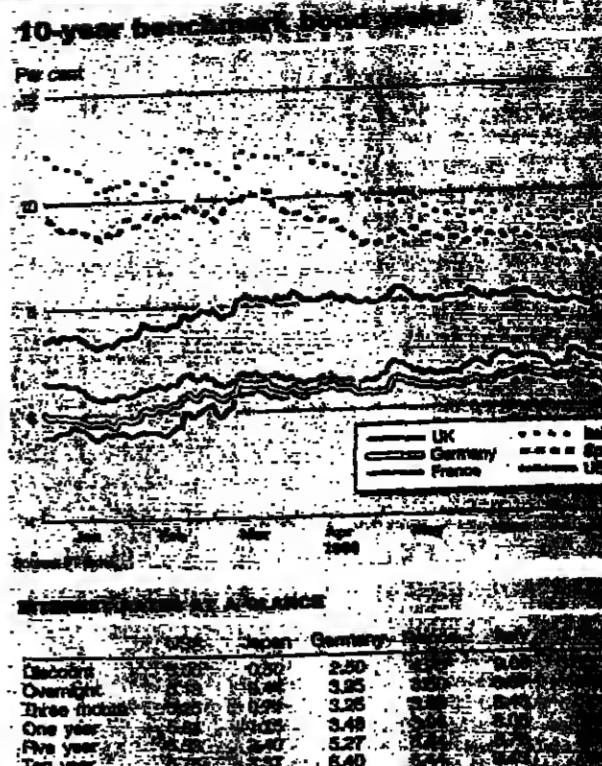
Mr Pang Chung-min, senior vice-president and country manager (China) with Bank of America, conceded that usually a bank would try to start on less risky territory, but a combination of contacts and a belief in the toll road company's quality convinced to make the bank's first foray into the equity markets in Shenzhen.

Mr Pang has worked on the deal, initially for a private placement, since arriving at Bank of America in April last

year and suffering from poor timing. He reckons the bank will make a net profit out of its role as lead global co-ordinator "simply because our costs are so low, we've built up the infrastructure as we have done the deal".

The company and its sponsors met with a degree of scepticism during the roadshow, which took in Edinburgh, London, Singapore and Hong Kong, partly due to the problems of China's South China superhighway being built by Hong Kong-listed Hopewell Holdings, and partly to a general lack of interest in the B-share markets.

While brokers estimate up to 60 per cent of the B-shares on



Source: FT.com

which inflates overall asset figures," he said. He puts the total assets under management for hedge funds at closer to \$150bn-\$170bn.

However, Mr Van said that double-counting was eliminated from his survey by deducting the amounts invested in "funds of funds" - funds that invest in hedge funds managed by other firms.

In any case, the growth of hedge funds shows no sign of slowing. The main threat to the industry, in the short term, is most likely to come from within. Mr Hallac says hedge funds could become "victims of their own success... When a hedge fund becomes too large, it risks becoming less dynamic and flexible", jeopardizing its performance.

# Bank of America invades China

By Louise Lucas in Hong Kong

Bank of America is launching itself into the equity markets, having chalked up its first underwriting transaction. Far from sticking to home ground, the San Francisco-based bank made its debut on one of China's volatile B-share markets - those theoretically reserved for foreign investors but increasingly being bought by domestic Chinese.

If foreign funds do start picking at the \$140bn Thai market, sentiment could switch around quickly. For as Mr Graham Catterwell, the head of equities at Deutsche Morgan Grenfell pointed out: "Thailand's a manic-depressive market - when it's down it's the end of the world and everything's going to zero. And when it's up nothing can go wrong."

Mr Pang says a matter of record only.

The Securities described below have already been offered for sale.

June 1996

The Shenzhen exchange are held by domestic Chinese. Mr Pang says at least 85 per cent of this issue has gone overseas.

Like most commercial banks, Bank of America started to look at opportunities in securities as a means of boosting non-interest income. While this represents the bank's debut, it has a vehicle for securities business in the US, BA Securities, inherited from the merger with Security Pacific in 1992.

The plan is to look for further underwriting opportunities, in Asia and elsewhere. "To have succeeded in a difficult time, in a foreign market, should convince people of our prowess," said Mr Pang.

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- Highs & Lows shown on a 52 week basis

## **WORLD STOCK MARKETS**

**Rockwell supplies  
virtually every European  
car manufacturer with  
automotive components  
and systems**



INDICES

	Jul 19	Jul 18	Jul 17	Jul 16	1995 High	1995 Low
Argentina Córdoba(29/12/77)	1651.00	16730.21	16733.73	16810.95	205	1661.00 197
Australia All Ordinaries(1/1/80)	2157.8	2119.8	2095.1	2226.80	264	2095.10 1777
	972.7	948.8	935.4	1112.45	35	984.00 197
Austria Credit Austria(30/12/84)	381.77	353.93	356.98	384.80	315	381.77 197
	1025.40	1023.47	1035.50	1142.51	285	1025.27 271
Belgium BEL 20(1/1/81)	1687.77	1681.73	1688.42	1773.28	285	1674.00 21
Brazil Brasília(29/12/83)	84117.0	81880.0	82147.0	8822.00	127	8200.00 21
Canada Metal Mine(1/1/75)	4827.81	4883.38	4830.80	5024.00	85	4827.47 161
Companies(1/1/79)	5005.00	5006.80	4980.0	5246.00	315	4780.00 151
Portfolio(55/4/1981)	3470.59	2475.73	2488.82	2861.55	275	2322.38 121
Chile IGPA Gmf(31/12/80)	5524.90	5008.33	5584.38	5804.33	871	5216.28 84
Denmark Copenhagen(32/3/1983)	400.18	408.82	403.82	415.70	47	388.48 21
Finland HEX General(29/12/90)	1994.55	1993.13	1986.32	2079.42	315	1881.87 101
France S&P 250(1/1/80)	1389.00	1373.97	1367.70	1402.85	876	1255.10 21
CAC 40(31/12/80)	1882.83	2007.25	1895.11	2148.73	304	1887.25 11/1
Germany FAI Aktien(31/12/88)	880.08	885.08	883.48	911.34	87	818.00 21
ChemicalIndex(1/1/59)	2575.50	2552.20	2554.50	2802.80	577	2280.20 21
DAX(30/12/1987)	2550.10	2508.22	2487.19	2550.80	577	2254.00 21
Greece Athens(30/12/80)	587.17	591.45	585.57	1017.35	43	581.45 197
Hong Kong Hong Sang(31/12/84)	10845.30	10711.24	10503.10	11394.85	182	10200.00 21
India BSE Sensex(1978)	5763.00	5775.00	5722.24	4880.25	188	2220.00 25/1
Indonesia Jakarta Comp.(10/86/82)	580.07	578.32	578.26	608.21	244	572.45 21
Ireland ISRA Diversified(4/1/84)	2440.75	2416.78	2416.47	2385.18	165	2334.00 21
Italy Banca Comer Bari(1972)	624.51	622.49	618.20	674.70	205	572.21 273
MBS General(21/1/89)	1058.0	1055.0	1044.0	1142.00	205	970.08 273
Japan Nikkei 225(18/5/49)	21476.28	21556.42	21412.58	22868.00	265	19234.70 193
Nikkei 300(17/10/82)	301.04	302.06	300.07	318.70	256	284.48 1123

### INDEX FUTURES

Open Day		Close Day		Change		Pct Chg	
JUL	2027.0	2009.0	-	2020.0	1993.0	161	26.4%
AUG	2030.0	2015.0	-	2033.0	1999.5	559	5.1%
EU DAX							
Sep	2558.0	2507.5	-11.0	2542.0	2504.5	21,940	82.17%
Dec	2556.0	2526.0	-10.5	2553.0	2524.0	280	0.98%
- Set Jul 13: Taken Weighted Price 071205. Korea Comp Ex 1995.31. Base values of all Mining - 500; Austria, Spain, BEL20, HXK Gen., MRE Gen., BVL 30, SEPI250, CAC40, Euro Markets and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 254.5; NYSE AS Comp - Toronto Int'l Comd & Univ. 3 1995/DAX after-hours Index: Jul 10 -							

#### **US INDICES**

Dow Jones	Jul 19	Jul 16	Jul 13	1995	Since compilation		
	19	16	13	Low	Low		
Airlines	5485.82	5464.13	5376.86	5776.88	5332.84		
Automobiles	(225)	(107)	(225)	(225.96)	(877.32)		
Bancs	101.60	101.50	101.34	100.95	100.77		
Bank holding Co.	(42)	(187)	(42)	(181.95)	(110.95)		
Transport	2018.81	2031.34	2016.52	2263.39	1882.71		
Motors	(225)	(107)	(225)	(225.95)	(122.95)		
Utilities	211.43	218.32	213.11	234.00	205.62		
	(122)	(75)	(121)	(216.95)	(103.95)		
DJ Ind. Day's high	5460.44	(5500.43)	Low	5332.55	(5252.10)		
Day's high	5460.44	(5472.68)	Low	5405.05	(5382.45)		
Accum. diff.							
Standard and Poor's							
Composite	531.73	543.55	534.07	571.91	508.46		
Industrial	(45)	(107)	(45)	(45.95)	(162.95)		
Utilities	757.07	762.47	751.12	807.85	702.07		
Financial	(51)	(107)	(51)	(51.95)	(215.95)		
	(53)	(107)	(53)	(53.95)	(115.95)		
NYSE Comp.	342.31	345.10	340.10	359.24	321.41		
Mark Mkt Val	548.76	601.63	533.69	614.98	525.88		
NASDAQ Comp	1087.86	1108.82	1086.85	1246.34	985.57		
	(56)	(107)	(56)	(56.95)	(310.95)		
E RATIOS							
Dow Jones Ind. Div. Yield	2.28	2.22	2.19	2.36	Year ago		
S & P Ind. Div. yield	Jul 12	Jul 8	Jun 28	Year ago			
S & P Ind. P/E ratio	Jul 17	Jul 10	Jul 3	Year ago			
■ NEW YORK ACTIVE STOCKS							
Toddy	Stocks	Gross traded price on day	Change on day				
State Metals	8,247,000	\$76	+4				
Rel Power	7,246,400	3446	+4				
Sunbeam	7,124,700	1826	+6				
Var T & T	5,245,800	5336	-16				
Invest Fndrd	3,683,100	43	-16				
Zinc Co.	3,481,100	4716	-14				
Federal Natl	3,468,900	3144	-14				
Wkrt	3,384,000	24	-16				
Ericson Tech	3,144,300	1844	-16				
Lock	3,014,200	54%	—				
	Open	Sett price	Change	High	Low: Est. vol. Open		
E S&P 500							
Sep	647.80	642.00	-545	646.40	638.00	89,170	174,702
Dec	651.50	647.90	-545	651.50	644.65	1,130	7,920
	Open	Sett price	Change	High	Low	Est. vol.	Open

Defect	2.54	-	3.24
UDwald	2.48	-	3.10
WSE	3.3	-	3.62
Wise-Tal	2.81	-	3.62

SOUTH KOREA (Jed 19 / Won)		
	+/-	High
HyscoC	36,000	+100
KyewF	28,000	-400
Minel	6,000	-100
Mitsui	700,000	+11,000
MS Ele	18,000	-1,000
Pompe	—	-2,000
Shimex	72,000	-4,000
Surogi	12,000	+100
Yukong	21,000	—

TAIWAN (Jed 19 / TW \$)		
	+/-	High
Ci. Inc	100	-18
Chi Zink	148	+50
ChiDow	27	-17
Cisco	27	-50
Friant	148,000	+10,000
Globe	54	-10
Guil U	103	+10
TaiSod	61,000	+1,000

THAILAND (Jed 19 / Baht)		
	+/-	High
Admir	364	-18
Batikin	364	-18
Boklak	348	+4,50
DaChen	120	+1
Finsme	122	—
Artkak	120	—
Lorntex	370	+1
PlaThon	178	+1
SamCra	7,072	+1
SamCry	200	-10
SamCry	234	+10
Tekno	50,500	+50
Thairat	232	+24

NORTH AMERICA		
CANADA		
TORONTO (Jed 19 / Can \$)		
4 pm close		
Sales		
768226	Arcel	180
144225	Anglo	410
803793	Arcon	410
485719	Asper	200
182717	Aztec	400
5000	Acci	150
105701	Amher	250
157000	NSCopa	100
696500	BDI	200
225754	BCE	50
333233	BGE MD	40
9863	BHPA	180
800000	BHPB	500
800000	BHPG	500
111107	Brockd	120
32214	Scandix	120

NORTH AMERICA

NORTHERN ONTARIO		
CANADA		
TORONTO (JUL 19 / CAN S)		
4 pm close		
	Salaries	
768225	Abitibi	18P
14425	Algoma	14P
50379	AlCoCo	24P
50603	Anglo	24P
185117	AtcoM	40P
50603	AtcoCo	16P
10570	Avonair	25P
15700	B.C. Coopera	10P
69656	BC Tel	25P
227574	BCE	5P
33332	BCE MD	4P
9500	Bell A	18P
50603	Bell C	55P
50603	Bell M	55P
911107	Brockfield	1.9P
32214	Scotiab.	

**Prices supplied by Retailers**

**NOTES -** Prices on this page are as quoted on 1st  
January 1987 and are strictly last traded  
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## CURRENCIES AND MONEY

## POUND SPOT FORWARD AGAINST THE POUND

	Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe												
Austria	(Sch) 16.2080	-0.07140	968 - 176	16.2452	16.1855	16.1707	2.6	16.1017	2.6	16.052	2.6	105.1
Belgium	(Sch) 16.4095	-0.07022	775 - 881	16.5020	16.3707	16.3575	2.6	16.4745	2.6	16.3675	2.6	107.0
Denmark	(DK) 8.6818	-0.07022	775 - 881	8.6920	8.6707	8.6881	1.9	8.6477	1.9	8.7369	1.9	108.1
Finland	(FM) 7.6013	-0.0106 967	938	7.6219	7.7852	7.7851	1.9	7.7851	1.9	7.6773	1.9	84.9
France	(FM) 2.2038	-0.0021 019	045	2.2038	2.2062	2.2068	2.3	2.2067	2.3	2.2561	2.3	103.1
Greece	(GR) 364.65	-0.0239 458	365	365.368	363.850	363.850	0.6	366.08	0.6	366.08	0.6	96.4
Ireland	(IE) 0.9635	-0.0022 627	643	0.9635	0.9635	0.9635	0.6	0.9618	0.6	0.9677	0.6	96.4
Italy	(I) 2.9470	-0.0022 255	256	2.9564	2.9700	2.9737	2.4	2.9747	2.4	2.9635	2.3	107.0
Luxembourg	(LU) 2.2827	-0.0022 255	256	2.2825	2.2814	2.2828	2.5	2.2844	2.5	2.1619	2.5	76.5
Netherlands	(NL) 1.2035	-0.0022 255	256	1.2035	1.2035	1.2035	2.2	1.2035	2.2	1.2035	2.2	105.5
Norway	(NO) 8.0043	-0.0176 965	966	8.0345	8.0384	8.0384	1.0	8.0788	1.0	8.7983	1.0	95.9
Portugal	(PT) 2.2932	-0.042 560	584	2.2932	2.2813	2.2813	2.7	2.2812	2.7	2.2812	2.7	95.2
Spain	(PE) 194.35	-0.0034 241	195	194.35	194.178	194.615	-1.6	195.13	-1.6	196.83	-1.6	80.8
Sweden	(SE) 10.2297	-0.0048 195	197	10.2295	10.2036	10.223	0.0	10.2027	0.0	10.2228	0.0	96.8
Switzerland	(CH) 1.9524	-0.0017 612	636	1.9584	1.9581	1.9774	3.2	1.9588	3.4	1.9104	3.4	122.2
UK	(GB) 1.2220	-0.0006 214	225	1.2222	1.2202	1.2207	1.3	1.2177	1.4	1.2044	1.4	84.7
Ecu	-	-	-	-	-	-	-	-	-	-	-	-
Dollar	-	-0.00180	-	-	-	-	-	-	-	-	-	-
Americas												
Argentina	(Peru) 1.5452	-0.0019 447	457	1.5474	1.5427	-	-	-	-	-	-	-
Brazil	(BR) 1.5551	-0.0013 563	569	1.5600	1.5544	-	-	-	-	-	-	-
Canada	(CA) 2.1149	-0.0008 140	147	2.1171	2.1071	2.1142	0.4	2.1105	0.6	2.1025	0.6	84.7
New Zealand	(NZ) 1.1778	-0.0012 603	603	1.1803	1.1791	1.1803	0.4	1.1791	0.4	1.1803	0.4	84.2
USA	(US) 1.5474	-0.0019 470	477	1.5484	1.5420	1.5469	0.4	1.5473	0.1	1.5469	0.1	86.2
Pacific/Middle East/Africa												
Australia	(AU) 0.9888 553	574	1.0024	1.0489	1.0500	-1.6	1.0044	1.8	1.0022	-1.7	92.6	
Hong Kong	(HK) 0.0151 669	753	1.1597	1.1597	1.1594	0.8	1.1593	0.7	1.1528	0.3	94.1	
India	(INR) 55.0555	-0.0214 588	597	55.1700	55.1700	55.1700	-	55.1700	-	55.1700	-	94.1
Iraq	(IQ) 1.1743	-0.0011 550	550	1.1743	1.1743	1.1743	-	1.1743	-	1.1743	-	94.1
Japan	(Y) 1.9747	-0.0025 385	392	1.9700	1.9670	1.9673	6.2	1.9623	5.3	1.9546	5.2	104.1
Malaysia	(MY) 3.8503	-0.0003 492	492	3.8507	3.8405	-	-	-	-	-	-	-
New Zealand	(NZ) 2.2321	-0.0101 304	307	2.2402	2.2348	2.2371	-2.7	2.2466	-2.6	2.2604	-2.2	105.4
Philippines	(Peso) 40.8232	-0.0053 659	657	40.8275	40.7478	-	-	-	-	-	-	-
Saudi Arabia	(SA) 1.1602	-0.0011 501	501	1.1602	1.1602	1.1602	-	1.1602	-	1.1602	-	94.1
Singapore	(SG) 2.1501	-0.0016 508	508	2.1549	2.1563	-	-	-	-	-	-	-
South Africa	(ZA) 8.7292	-0.0076 920	927	8.7292	8.7292	-	-	-	-	-	-	-
South Korea	(Won) 12.9582	-0.0017 928	928	12.9640	12.9600	-	-	-	-	-	-	-
Taiwan	(TWD) 42.6392	-0.0039 214	214	42.6202	42.6226	-	-	-	-	-	-	-
Thailand	(B) 33.5571	-0.0021 361	361	33.5571	33.5571	-	-	-	-	-	-	-

1 Rates for Jul 14. Sterling spot rates in the Pound Spot show only the last five daily prices. Forward rates are not directly quoted to the market but are available by currency from the Bank of England. Base average 1990 = 100.00. Yester retained 1/20/95. Curr. Offer and Mid-rates in both the Pound Spot tables derived from the WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

† SDR rate per S Fr 100.00. Sterling spot rates in the Dollar Spot table show only the last five daily prices. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland &amp; ECU are quoted in US currency. J.P. Morgan nominal billions. Jul 10 Sdr average 1990=100.00.

## CROSS RATES AND DERIVATIVES

	BFr	DKr	FFr	DM	IE	L	Fl	Nkr	Rs	Shk	FrF	E	CS	S	V	Ecu
Belgium	100	16.73	4.955	2.032	4.938	5.446	20.88	49.83	21.57	3.069	2.108	4.458	8.282	352.2	2.576	
Denmark	53.40	10	8.703	2.522	1.008	2.505	11.15	269.6	218.9	1.219	1.239	1.742	1.868	1.576	-	
France	FF 80.20	11.39	10	2.952	1.238	3.002	3.11	321	12.70	3.028	3.042	2.711	1.957	1.565	-	
Ireland	IE 40.20	9.214	0.802	2.202	0.802	2.202	2.07	102.27	24.03	1.014	1.014	1.057	0.972	1.071	0.591	
Italy	1.1	1.1743	1.1743	1.1743	1.1743	1.1743	1.1743	1.1743	1.1743	1.1743	1.1743	1.1743	1.1743	1.1743	1.1743	
Japan	16.18	1.3635	1.3635	1.3635	1.3635	1.3635	1.3635	1.3635	1.3635	1.3635	1.3635	1.3635	1.3635	1.3635	1.3635	
Malta	1.9747	-0.0025 385	392	1.9700	1.9670	1.9673	6.2	1.9623	5.3	1.9546	5.2	104.1	-	-	-	
Norway	(NOK) 47.89	8.869	7.877	2.232	0.973	2.365	2.608	1.01	2.181	1.01	1.010	1.010	1.010	1.010	1.010	
Portugal	(PT) 2.003	0.7511	0.7544	0.7544	0.7544	0.7544	0.7544	0.7544	0.7544	0.7544	0.7544	0.7544	0.7544	0.7544	0.7544	
Spain	(PE) 24.40	4.6569	4.6719	1.185	1.185	1.185	1.185	1.185	1.185	1.185	1.185	1.185	1.185	1.185	1.185	
Sweden	(SEK) 56.0555	-0.0214 588	597	56.15												



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## FT GUIDE TO THE WEEK

MONDAY 22

## India presents budget

P Chidambaram, the finance minister of India, presents the first budget of the United Front government, which was formed after the April-May elections. He must strike a tricky balance between the government's pledges to raise spending on agriculture, social services and infrastructure and the need to contain India's fiscal deficit - which last year was 5.9 per cent of GDP. Foreign investors will watch the budget closely for its reformist intent and fiscal prudence. A poor reception could undermine a clutch of imminent issues of global import: receipts from big Indian companies.

## EU farm ministers meet

EU agriculture ministers begin what is expected to be at least a three-day meeting in Brussels. The Irish presidency will present a compromise proposal on a pricing package for agricultural products, and another attempt will be made to agree on reform of the fruit and vegetable markets. Ministers are thought likely to approve a reduction in the proportion of set-aside land to 5 per cent next year, which would increase cereal production by 8m tonnes. Plans will also be presented by Franz Fischer, the agriculture commissioner, to restore stability to the beef market after the "mad cow" crisis.

## Major to reshuffle ministers

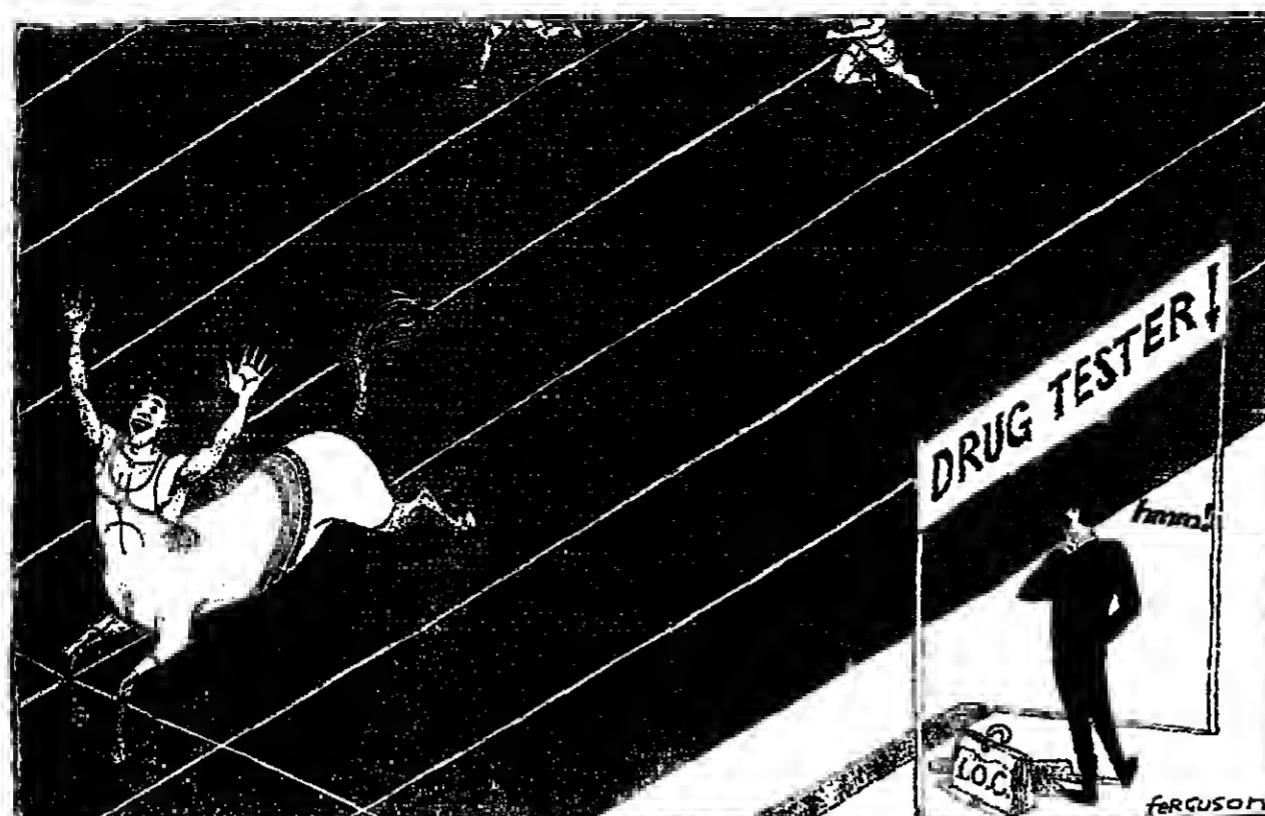
John Major, the UK prime minister, puts the finishing touches to a modest reshuffle of his ministerial team. Downing Street says there will not be a cabinet reshuffle, although Mr Major will make changes in the middle and lower ranks of government. These have been partly forced upon him: Tim Eggar, the energy minister, and Steve Norris, the transport minister, have asked to stand down. Those tipped for promotion include David Willets, the public service minister, and Angela Browning, the agriculture minister.

## Santa claws his way back

The 33rd World Santa Claus Congress in Copenhagen will gather together more than 120 Santas from 22 nations (to July 28). A schism between the Danes - who claim that Greenland, a Danish dependency, is the true home of Father Christmas - and the Finns - who say that he is from Lapland - will be healed. The Finnish Santa is being welcomed back in recognition of the fact that no nation has sole rights to Santa.

## Nato exercise in Hungary

Servicemen from the US, Canada and 15 European countries, including nine ex-communist nations, assemble in Hungary for the first large-scale air exercise by Nato on former Warsaw Pact territory. Operating from Hungary's Szolnok airbase, they will practise using aircraft for peace support operations,



Horaceplay: the summer Olympic Games continue amid fears of doping scandals in the US city of Atlanta, Georgia. The athletics events start on Friday

including humanitarian missions and search and rescue (to July 26).

## Turkey to boost revenue

Turkey's new Islamist-dominated coalition government is to announce a big revenue-raising package to plug the treasury's widening budget deficit. A 50 per cent pay increase for civil servants was announced by Necmettin Erbakan, the Islamist prime minister from the ruling Refah party.

Tansu Ciller, the leader of the centre-right True Path party and the coalition's junior partner, has promised to find money - rather than print it - to pay for the rise.

Most of the money is expected to come from government property sales rather than spending cuts. Economists say the budget deficit will rise by half to about 10 per cent of GDP this year and push inflation to 100 per cent.

## Iraq compensation studied

The United Nations compensation commission for victims of the 1990 Iraqi invasion of Kuwait meets in Geneva to process more claims (to July 24). The commission has waded through 2.6m claims totalling \$200bn and already made awards of \$3.7bn to more than 2m individuals for death, injury or financial loss. The recent oil-for-food deal between the UN and Iraq has raised hopes that the commission may finally have funds to pay out. This week the commission is studying 64,000 small property claims worth \$300m.

## WTO reviews piracy accord

World Trade Organisation members meet in Geneva to review implementation of the WTO agreement on intellectual property protection covering patents, copyrights and trademarks (to July 26). On the agenda are two US complaints already going through WTO dispute settlement

procedures that Pakistan and India are not respecting the so-called "mailbox" provisions of the agreement. These require countries which do not yet have patent protection for pharmaceuticals and agricultural chemicals to provide a "mailbox" where patent applications can be filed.

## Sailing

Commodore's Cup, Cowes, England (to Aug 1).

## FT Survey

Private Medical Insurance (UK only).

## Public holidays

Afghanistan, Guam, Netherlands Antilles, Swaziland.

## TUESDAY 23

## Chinese missions to Taipei

Taipei and Beijing are not letting bitter political rivalries get in the way of business. A Chinese delegation of port officials will arrive in Taiwan for private talks with industry leaders and government officials. They will be following a separate delegation of finance officials, which arrives on Monday. Such visits are unprecedented. The two sides will exchange views on securities-related matters and the establishment of direct cross-strait shipping - banned since 1949.

## Prague vote of confidence

The Czech parliament begins debating a vote of confidence in the minority government of Vaclav Klaus, the prime minister. This should end the instability since the general election in June. Mr Klaus's centre-right, three-party coalition

government has 99 seats and the opposition 101 in the 200-seat chamber. However, it is thought unlikely that the main opposition party, the Social Democrats, will vote against Mr Klaus.

## Asean forum on security

A regional forum of Asean - Indonesia, Malaysia, Singapore, Thailand, Brunei, Vietnam and Philippines - meets in Jakarta to discuss regional security. The US, China, the EU and Russia will also be represented.

## Islamic conference in Cairo

Al Azhar University of Cairo, the oldest Islamic university in the world - it was established in the 10th century - holds its annual Islamic conference with the ministry

of religious affairs. The conference celebrates the birth of the prophet Mohammed and will be attended by Islamic scholars, mosque clerics and politicians. "The reaction of the heavenly religion to religious extremism" - terrorism in God's name - will be one of the main subjects.

## Public holidays

Egypt, Libya.

## WEDNESDAY 24

## Ballot for UK shadow cabinet

British Labour party MPs vote in the last shadow cabinet elections before next

general election in June. Mr Klaus's

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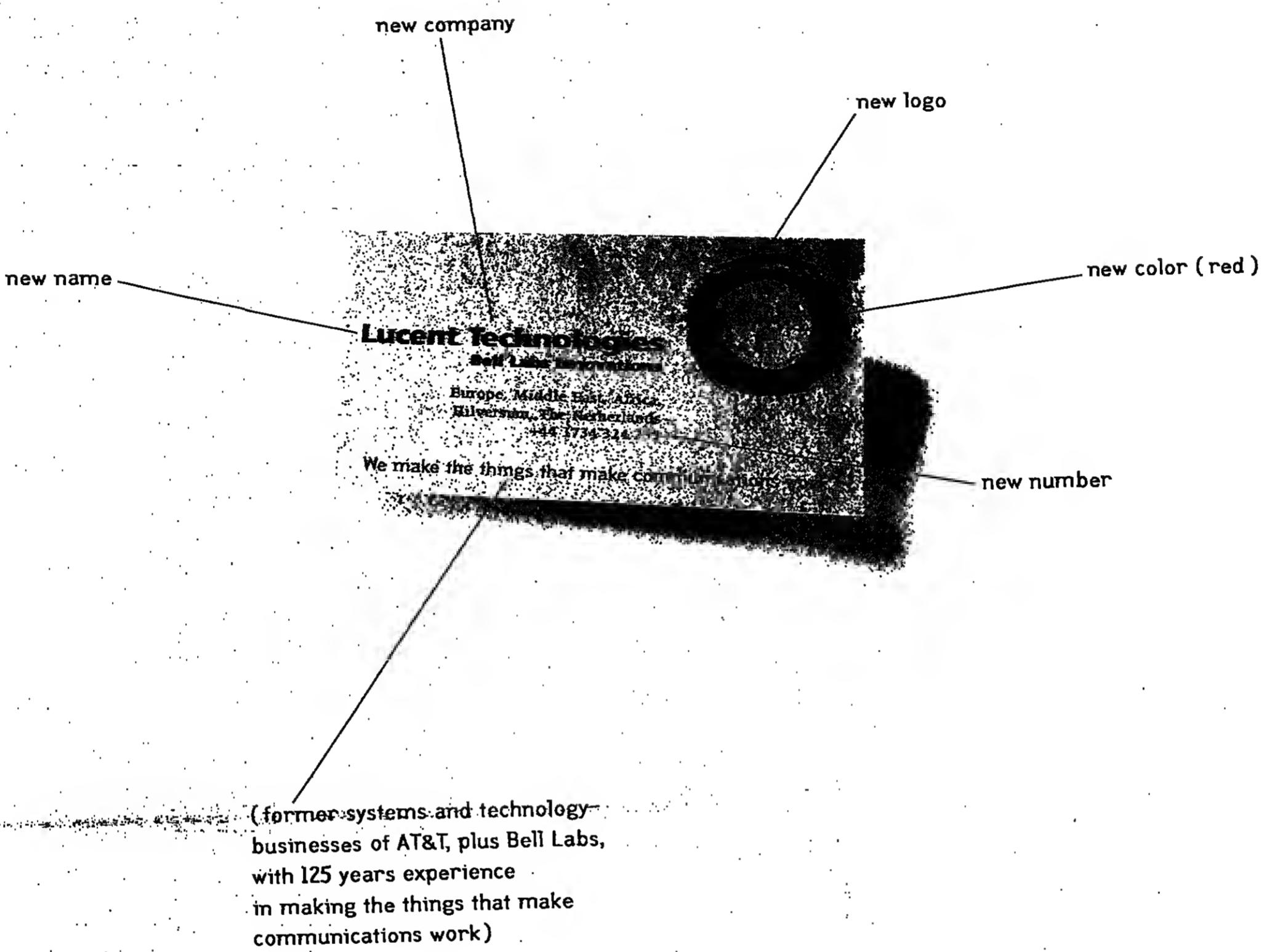
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JULY 22 1996

FINANCIAL TIMES · MONDAY JULY 22 1996

9



THIS WEEK

**A** seismic rage has shaken the plump guardians of sumo wrestling, Japan's holy national sport. The sumo establishment, said to be nobly discreet or plain fat, depending on your viewpoint, is furious at unholy allegations, from the top ranks of sumo itself, of tax evasion, match rigging, bath-house hanky-panky, dope smoking and corruption with gangsters.

It has all thrown an unwelcome shadow over the purity of a sport which began with the origins of Japan itself in 23 BC and remains an important part of Shinto ritual, even national identity. Aspiring wrestlers rise, like monks, just after dawn and vow to practise courtesy in their personal lives as well as on the sacred ground of the *dohyo* ring.

They must practise extreme obedience, failing which the mountaineous wrong-doer must bow before his stable master - trainer - to receive a crack on the head with a stick.

At ceremonies, wrestlers from the top division, or *yokozuna*, are privileged to wear a heavy white rope belt, copied from the rope that hangs from the gate of a Shinto shrine, to symbolise their status as servants of guardian spirits.

The source of the fuss is the *Shukan Gendai*, or Weekly Post, one of Japan's hundreds of colourful tabloid magazines, of varying unreliability but enduring entertainment value. For once, the Post appears to have firm information.

Provocatively, the magazine chose the start of the Nagoya tournament, which ended yesterday, to reveal that sumo's most prestigious group of wrestlers, the *Futagoyama* stable, was being investigated by tax authorities for alleged under-reporting of income. *Futagoyama* fighters have won each of the past seven tournaments.

The stable's most famous wrestler is *Takanohana* - all fighters go by single names - who was yesterday fighting to retain his place as grand champion against *Hawaiian Akebono*, from a smaller stable, who has just returned to formidable form after a knee injury.

Neither is personally implicated. The tax inquiry is only the latest stinging revelation from the Post. Earlier this year it published a series cataloguing sumo corruption, written by one with real clout in the sport: *Omamaru*, a retired wrestler turned trainer. *Omamaru* used to be a *sekizoku*, the third of sumo's 11 ranks.

His most damaging claim, vigorously denied by the Japan Sumo Association, the sport's governing body, is that match rigging is common. *Omamaru* accused 29 of the 40 wrestlers in the top division of cheating: buying and selling match results to avoid personal demotion.

*Omamaru* also detailed a startlingly un-monastic lifestyle among the acolytes. For example, to relax after being thumped by their trainers, wrestlers were said to repair to "soap lands", to wallow in hot baths with young female assistants; paid to execute a particularly thorough wash. One wrestler was said to smoke marijuana, shocking even among non-wrestlers in Japan, and again denied by the JSA.

*Omamaru* did not survive his revelations for long. By what seems like a black coincidence, he and his manager, *Selichiro Hashimoto*, another conspicuous critic and deputy head of a sumo supporters' club, both died in April, within three hours of each other, in the

same hospital, both of complications from pneumonia. The pair had planned a press conference, three weeks later, to publicise their claims, and *Omamaru* had received anonymous death threats.

The Post speculated on a massive "lip-sealing exercise" but the police are adamant: there is no cause for suspicion.

Whatever the truth, *Omamaru*'s claims lived on after his death, in the form of a book, issued the following month. The JSA hit back with suits for criminal libel against publishers of both book and magazine. But the book, *Match Fixing*, published by *Rokuusensha*, has now sold 120,000 copies and the Post has continued to explore alleged sumo corruption.

Sumo veterans know that a little discreet fixing has been going on for years, though it has never been the cause of such bitterness until now. Andy Adams, editor of the magazine *Sumo World*, believes that *gaecho* - match fixing

on retirement to buy one of the 105 shares in the JSA, each worth about £500, according to Adams. Only JSA shareholders can run a stable, receive an income from the association and a slice of wrestlers' winnings.

Occasionally, the JSA does crack down on *gaecho*, as it did in the 1970s when it annulled two bogus victories by one wrestler, who had to retire as a result. Adams reckons that rigged matches are as frequent as they were 20 years ago. But this is the first time a retired senior fighter has challenged the system.

If match rigging is not new to sumo, neither is a robust attitude to paying tax. Wrestlers receive much of their income in cash. A top-ranker can expect to receive £200,000 or more simply for allowing his supporters club - typically composed of senior businessmen or politicians - to take him out to dinner. Patrons pay even more for the privilege of having their photographs taken with the champion of the tournament.

Like so much of Japanese life, sumo has two levels: an ancient ritual on top of a business as worldly as any other.

## Talk of soap and dope shakes sumo

### DATELINE

**Tokyo:**  
the sacred wrestling  
establishment has  
been rocked to its  
ample foundations by  
weighty allegations of  
profanity, writes  
**William Dawkins**

**Hormoz Sabet believes in the long-term project, writes Raymond Snoddy**

**A**merican-Iranian businessman Hormoz Sabet may be a busy man but he always puts aside at least an hour a day to read the newspapers. Many of the projects that have made him a multi-millionaire have been stimulated by something that Sabet has read in papers such as the Financial Times, the Wall Street Journal, the New York Times or numerous trade publications.

Seven years ago, he read about a fibre-optic cable being laid between the US and Europe and remembered someone once telling him that fibre optics would have a revolutionary impact on the future of communications. He wondered whether anyone had ever tried to lay a fibre-optic telecommunications cable to the Middle East.

"The Good Lord must be telling me something," said Sabet, a devout believer in the Bahai religion which teaches that the world is one country and mankind its citizens. He decided to invest \$100,000 (£64,000) in a feasibility study for laying a fibre-optic telecommunications cable to link the Middle East with the world's leading business centres. In September 1997, that vision will become a reality when FLAG, the Fibre-optic Link Around the Globe, is commissioned between Europe and Japan. The \$1.8bn cable, capable of carrying 500,000 telephone conversations, will touch the Middle East including Saudi Arabia and the Gulf states, Africa and Asia - and eventually circumnavigate the globe.

Gulf Associates, his New York-based company, now has only a tiny stake in the FLAG project - though the company has been well rewarded with an 800 per cent

return on an investment of several million dollars. The main funders included Nynex, the US telecommunications company now merging with Bell Atlantic, Dallal Al Barakat Group, the Saudi banking group, and the Marubeni Corporation of Japan. Sabet has already moved on to other projects. "I see myself as a person of vision. I want to be a creator," he says.

His latest interests include the application of modern communications technology to medical diagnostics, particularly for remote communities in the Middle East. Telemedicine uses links such as FLAG and techniques such as tele-conferencing to transmit detailed medical diagnostic data from remote regions to doctors in the main international centres.

Doing the same for education is another enthusiasm, as is creating a new Middle East and North Africa fund to try to persuade "high net wealth" friends and organisations to invest a small percentage of their assets in developing the infrastructure of the region. "What we specialise in is product and project development for the area where we have expertise - the Middle East and North Africa, parts of India, Pakistan and Turkey," says Sabet who will be 60 next month.

His father was a carpenter and truck driver in Iran but when the family came to the US in 1981 it survived in New York by buying and cleaning second-hand clothes and exporting them to Iran. It was the start of a conglomerate which eventually employed 10,000 people in Iran in a wide range of manufacturing activities. Gulf Associates set up Iran's first commercial television stations and introduced soft drinks

"The Good Lord must be telling me something," says Hormoz Sabet

and desalination plants to the country.

Sabet and his family were abroad when the 1979 revolution broke - he believes fortunately, since other Bahai businessmen did not survive the Islamic revolution.

Loans in America backed by personal guarantees and intended to be serviced by money from Iran had to be paid off - leaving the family with only a couple of million dollars. Around 80 deals later, Sabet estimates Gulf Associates, the Sabet family's private company, is now worth \$1bn.

"If not me then my sons. If not my sons then my grandsons or granddaughters," says Sabet. As a man who admires patience and believes in long-term projects, he is prepared to wait.

between making money and encouraging worthwhile projects. The best way he believes of lessening world conflicts is to use the fact that people always have "a receptive ear" to making money and that is something that transcends nationality. And he has lawyers on permanent retainer to see whether there is any way of regaining, or winning compensation for, the family assets seized in Iran which he believes are now worth \$1bn.

"If not me then my sons. If not my sons then my grandsons or granddaughters," says Sabet. As a man who admires patience and believes in long-term projects, he is prepared to wait.

When his takeover of Turner Broadcasting is complete, Time Warner chief Gerald Levin will go down as the only player at the table never blinked: writes Christopher Parker in Los Angeles.

The more Levin was told by newspapers that US regulatory agencies were poised to chew up the deal, the more steadily he insisted it would go through. The more he heard that US West, his cable television partner, was going to block the merger, the less he listened. A US West lawsuit has now been reduced to an organisational side-issue which Levin hasn't time to deal with - not since last week's approval in principle for the TBS purchase.

Levin is a living, breathing denial of the showbusiness saw that it takes charisma, if not pizzazz, to run an entertainment company. He is a quiet, occasionally tongue-tied lawyer with that most lawyerly of qualities: a killer instinct. He showed it in late 1995 when he fired Michael Fuchs, one of his closest lieutenants, only six months after installing him as head of Warner's music business.

It is as some say, the florid style of the showbiz individualist has no place in today's media corporations, then Ted Turner, founder of TBS, may be advised to seek a niche within the new organisation where eccentricity might not be noticed.

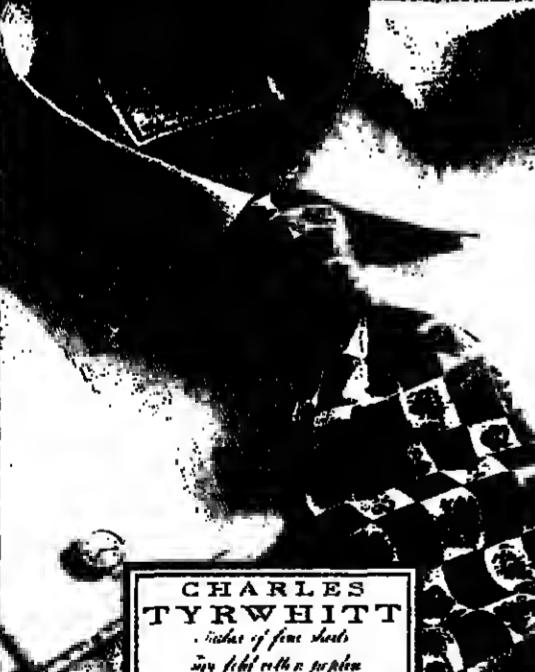
That such crevices exist is one of

the best the way ahead lies in getting the best from the rest. The group's large businesses are acrylic and viscose fibres. In these it is a world leader, but both fibres are past their heyday and beset with overcapacity.

Courtaulds also specialises in industrial coatings and packaging. Here, growth will come through regional expansion.

If there is a weakness that has been left unaddressed by this change of style, it is marketing. "Courtaulds has lost out in the past through its lack of customer focus," says one analyst. "The hope is that we will now see a No 2 appointed with some flair for marketing."

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**Robert Chote · Economics Notebook**

## Interest rates still flout all the rules

A model which will correlate rates and objectives remains a pipe dream

As Federal Reserve chairman Alan Greenspan gave his Humphrey Hawkins testimony to the US Congress last week, highly paid economists around the world listened intently for any hint or nuance which might give an insight into the great man's thoughts on the future path of interest rates.

Economic policymaking obviously remains as much an art as a science when analysts have to spend so much time deconstructing central bankers' sentence structures to predict what they will do. It would be so much easier if economists could devise a simple rule telling policymakers and the public what interest rates would deliver the authorities' objectives.

It is not that they have not tried. Economists have long argued over the relative merits of setting interest rates according to rules or discretion. Purely mechanistic regimes are unusual, but in Britain alone money supply targeting, exchange rate targeting, inflation targeting and pure discretion have been tried during the last 20 years with varying degrees of failure.

One of the latest wheezes is the "Taylor Rule", devised by John Taylor of Stanford University. This links the level of short term interest rates in a mechanistic way to the amount of spare capacity in the economy and the divergence of inflation from its target rate.

Alan Blinder, the former Fed vice-chairman, speaks highly of the rule, while various central banks and finance ministries have investigated it. Its principal proponent in the UK is Gavyn Davies, chief economist at Goldman Sachs.

The Taylor Rule starts by setting a "neutral" real rate of interest,

a rule for rates?

Per cent

Nominal 2-month rate

Short rate implied by Taylor Rule

Constant real interest rate

Source: Goldman Sachs, Datastream

estimates

last 10 years

This chart shows the basic

rule into question.

The Taylor Rule does appear

to describe interest rate setting fairly

well in the US, Germany and

Japan, with little evidence that it

either underestimates or overesti-

mates rates systematically. It

works much less well for the likes

of France and Italy, where interest

rates have been used to target the

exchange rate more than inflation.

As for Britain, the Goldman

Sachs economists argue that the

Taylor Rule offers "a first approxi-

mation to the policy setting behav-

iour of the UK authorities". But the

Treasury and Bank of England appear

to put more weight on inflation

and less on the output gap

than the Taylor Rule suggests.

The UK Treasury has also car-

ried out its own internal studies.

These suggest that the Taylor Rule

has worked reasonably well in

explaining interest rates since 1982,

but that a naive policy rule which

Laurence Meyer, appointed as a Fed governor by President Bill Clinton, said in March "this strategy calls for the Federal Reserve to patiently support continued expansion at full employment and at the trend rate of growth. When the next recession arrives, whatever the timing, inflation will ratchet down another notch. This strategy gradually and at low cost lowers inflation over time until price stability is achieved."

Orphanides and Wilcox argue that central banks might behave in this way because the economic costs of stabilising slightly above-target inflation are distributed widely through the population. The costs of reducing that inflation may leave most people relatively untouched, but they bear harshly on the minority who lose their jobs.

The opportunistic approach seems entirely sensible, as long as policymakers remain determined not to allow unfavourable shocks to ratchet inflation higher. Having said this, inflation is only as low as it is now in the UK because monetary policy was so tight in the early 1990s. This in turn was a result of the high inflation of the late 1980s. So sometimes things have to get worse before they get better.

That illustrates a long-standing feature of central bank behaviour: they have multiple objectives and concentrate on the one or two which are furthest from their desired state. It may look untidy to advocates of rules, but as Princeton's Ben Bernanke has pointed out, central banks may feel more threatened by a public perception that some aspect of the economy is "out of control" than by a record of generally mediocre performance.

الإذاعة والتلفزيون





## BUSINESS EDUCATION

In the light of Wafic Said's £20m gift to Oxford University, Della Bradshaw considers business school fundraising

## A taste of immortality

**F**rom Fuqua to Wharton and Kellogg to Katz, in the US business schools have been eager to adopt the name of generous benefactors in order to rake in the cash. Sitting somewhat uneasily among the likes of Simon, Sloan, Stern and Smeal is the latest business school benefactor, Wafic Said.

The decision by Said to give £20m to the School of Management Studies at Oxford University - to be renamed the Said Business School - puts the Syrian-born entrepreneur in the top league of business school benefactors.

A decade ago it took a donation of just a few million dollars to persuade a business school to put a benefactor's name in lights. Twenty years ago schools were often simply named after notable local business people.

"It's amazing the huge sums of money that are being given these days," marvelled the spokesperson for one major US business school. "I guess these people must be just trying to buy immortality."

Even in the US, which has a far longer tradition of this form of sponsorship, £20m is a figure to be drooled over. It has outstripped the recent

donation of \$30m (£19.2m) given to the Graduate School of Business at Babson College, in Massachusetts - now called the Franklin W. Olin graduate school of business.

In the UK, Said is clearly setting the pace. Sir Paul Judge gave him to Cambridge University to set up the Judge Institute and Oxford's Templeton College received just a little more than £7m in two tranches from Sir John Templeton.

Oxford is largely uninvolved in business school terms in being able to draw in £27m from just two benefactors. Indeed, the university was able to exploit its idiosyncratic college system to enable it to name two planks of its business education infrastructure - a college and a school - after different benefactors.

The donation has been welcomed throughout the business school community because it raises the stakes for potential benefactors and raises the profile of business as an academic subject. "It sends the right signals," confirms Claire Pike, secretary-general of Insead, the international business school, in Fontainebleau, near Paris.

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With a universal move away from government funding for graduate management education, UK institutions are not alone in looking for sponsors. In the past year two of Canada's 28 business schools, at the universities of Western Ontario and York, have succumbed to the trend. But in return for re-naming their schools each received only about half of Oxford's £20m. In the US only Harvard, Chicago, Stanford among the big name schools have retained their names and brand images.

Of Said's £20m, which requires "matched funding" - the university has to raise a further £20m in order to get Said's money - the lion's share will pay for the construction of a building in central Oxford.

Bruce Barnes, especially executive centre buildings, were particularly popular in the US for would-be benefactors who cannot afford - or are not able - to endow the whole school.

The University of Virginia business school, for example, was dubbed the Darden School in the mid 1970s after Colgate W. Darden, who travelled business education there. So when local magnate Thomas Saunders

AS A RESULT OF A PARTICULARLY GENEROUS GESTURE CHILDREN, OUR SCHOOL WILL HENCEFORTH BE KNOWN AS "KEVIN'S DAD MIXED INFANTS"



recently gave \$10m (£6.4m) the school agreed to name the spanking new centrepiece building on the Darden site - the Saunders Hall and promised to name an executive centre after him as well.

For those who cannot afford even to endow a building, professional chairs are the next rung down on the ladder. Scanning down the faculty list of Northwestern University, who revels under the name of America's "dean of deans", should, it appears, be more properly referred to as the Gaylord Freeman distinguished professor of banking.

## The pound in your pocket

Course fees and corporations keep the wheels turning

Twenty million pounds may sound like a huge sum of money, but it does not go very far when it comes to running a modern business school.

It costs about £1m to fund a professorial chair, with the accruing interest paying the professor's wages. An endowed scholarship costs around £40,000 to set up.

**Most fundraising involves talking a large number of organisations into giving a small amount of money**

The funds have enabled

Insead to employ nine extra faculty members for the forthcoming academic year, including seven professors.

The big source of revenues is fees. This is particularly true for younger schools, such as Fuqua at Duke University, where the alumni have neither the financial nor corporate clout to endow chairs or buildings.

Insead, in Fontainebleau, near Paris, announced an aggressive fundraising campaign last September. Its plan was to raise £P7.700m (£87.7m) of fresh capital over five years to fund research at the school.

Last month Fuqua started its first global executive MBA programme, with each of the 45 students paying \$75,000 (£49,000) to join - an upfront income for Fuqua of nearly \$3.4m.

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## BUSINESS TRAVEL

## Travel News • Roger Bray

**South China warning**  
Sexual harassment is becoming a hazard for business travellers in southern China. Approaches may be followed by extortion, warns the UK Foreign Office, and sometimes by threats of violence from accomplices claiming to be police officials.

Anyone suspecting a trap should insist on seeing credentials, check them carefully, and refuse to sign anything they do not fully understand.

Meanwhile, drugged food and drink is a risk in Bulgaria, where violent robbery has been on the increase.

particularly on trains and around the main railway station in Sofia.

**Promise on airfares**  
There is only one way fares across the north Atlantic will move down. Thus British Airways' chairman, Sir Colin Marshall, reassures those still sceptical about the impact of BA's proposed alliance with American Airlines.

According to American Express, business-class fares between the UK and the US have risen an average of 10 per cent over the past year. Already Europeans having

seats in business cabins have been lumbered with bigger increases than those flying first or economy. Amex says prices between Europe and north America rose faster than on other routes - by an average of 9 per cent.

**Prime site for hotel**

A new Peninsula Hotel is planned for a site near Sydney Opera House. Subject to regulatory approval, it will be built on land between the ferry terminal at Circular Quay and the Botanical Gardens.

The aim is to open the finest hotel in Australia in time for the 2000 Olympics.

**More routes for Virgin**  
Richard Branson's new low-fare airline, Virgin Express, is to launch new scheduled daily services linking Brussels with Geneva and Copenhagen. Fares on two routes will start at £57-2800 (£37-50).

**Jakarta service hitch**  
Politics has delayed the start of a proposed new air link between Seattle and Jakarta which was due to start this month.

Northwest Airlines wants to fly to the Indonesian capital via Osaka, which would have cut the present journey time by up to eight hours. But

Japan has refused permission for Northwest to operate the service under what the airline claims are its historic intra-Asia traffic rights.

In the hope that all this bickering ends by then, Northwest has pencilled in October 1 as the new start date for its Jakarta service.

**Music in Berlin**

Time off in Berlin? The city is making a virtue of necessity this summer by turning its building sites into outdoor concert theatres.

With the government and parliament moving in from Bonn by the end of the decade, more than 300 projects are thought to be under way,

including more than 60 new hotels. Not content with offering guided tours of developments such as those on the Potsdamer Platz, once a wasteland, the city is drowning out the clang of scaffolding with entertainment from opera to Cuban salsa. Until August 25, musicians, singers and comedians are performing on 10 stages at construction sites along the Friedrichstrasse, for example, and at the Brandenburg Gate.

Among those appearing is the Batzkeva Dance Company from Tel Aviv. Visitors can pick up information from the Infobus on the southern side of Leipziger Platz.

**Likely weather in the leading business centres**

	Mon	Tue	Wed	Thu	Fri	Sat
Mon	21	21	21	21	21	21
Tue	21	21	21	21	21	21
Wed	21	21	21	21	21	21
Thu	21	21	21	21	21	21
Fri	21	21	21	21	21	21
Sat	21	21	21	21	21	21
Sun	21	21	21	21	21	21

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BETTER BRITISH AIRWAYS



**A** Peruvian business man is proposing to open a five-star hotel in Lima with a dolphin pool in the lobby, a bizarre project that provides, nevertheless, vivid evidence of a resurgence of travel to Latin America in general - and Peru in particular - which has put heavy pressure on room prices.

Economic revival and the softening of the terrorist threat from rebel group Shining Path has brought business and leisure travellers flooding back to the Peruvian capital.

Occupancy rates in the city's luxury hotels have been hovering around 90 per cent, making Lima's rooms some of the most expensive in South America. Average rates now range from \$180 to \$250 a night, according to Ely Garcia, Latin American

regional director of international hotel experts Horwath Consulting. "Prices have shot up since the economic turnaround and are now parallel with those in Buenos Aires and São Paulo," he says.

One UK travel company specialising in flights and tours to Latin America reckons hotel rates in Lima have risen by up to 70 per cent. An important reason for pressure on prices is that the South American "grand tour" is taking in Brazil, Argentina, Chile, and the Inca sites of Peru at Machu Picchu and Cuzco, is back in vogue.

Peru is regarded as largely safe again. Chile has emerged from under its dark cloud of political unacceptability, and

memories of the oppression in Argentina are fading.

The recently announced alliance between American Airlines, which dominates the market between North and South America, and British Airways, which will feed European passengers on to American flights, can only increase the pressure on hotel rates.

Encouraging news, however, is that there has been a counter-tourism boom in hotel building. Optimism about the future for hotels in the region was reflected in a report last year from the Economist Intelligence Unit, which predicted high rates of growth in Peru, Chile and Colombia, and steady advances in Brazil.

Prospects for Argentina were poorer, it said.

The 250-room Lima hotel, Los Delfines, which looks set to stir up controversy among wildlife conservationists, is not the only imaginative project planned in Peru.

In Cuzco, for example, a colonial-style convent is being converted to luxury accommodation. In the capital, elegant residential property is being turned into boutique hotels And Oro Verde, a Swiss-owned company based in Ecuador, will open a five-star de luxe hotel there towards the end of this year, according to Garcia.

"Cuzco is also booming, though hotel development there is not taking place at the same rate as in Peru," he says. Average occupancy rates in luxury properties are close to 90 per cent. Kempinski, Inter-Continental and Howard Johnson are all developing properties there.

Hotels in São Paulo, Brazil, are fuller this year, and prices are reflecting that, says Ricardo Mader, a partner in Horwath's Brazilian arm.

"A big growth in demand has forced rates up from \$160 to \$170 last year to between \$200 and \$240. But development plans should increase the city's total stock of hotel rooms from about 2,000 to more than 3,000."

In Brazil, as in Peru, eye-catching projects are under way. São Paulo's image may be that of a grimy industrial city, but a Brazilian developer is building a palatial 120-room hotel there in a rainforest park. And on the Rio Negro, a tributary of the Amazon, the model "eco hotel" is planned, using materials which harmonise with the surrounding jungle and the latest techniques for waste disposal and energy conservation. It will provide a centre where locals will be trained to work in the catering business.

There is less bounce in Argentina. Ricardo Mader says hotel occupancy has fallen towards 70 per cent. It is an estimated 2 per cent to 3 per cent below last year, mainly because the country's privatisation process has slowed.

I have been on 16 flights in as many weeks - perhaps not as many as some globetrotters but enough to keep me away from airports for a time. These flights were in the so-called first world and third world, and were almost exclusively with United Airlines and Iran Air. I expected the two airlines to be different - but not quite in the way that transpired.

I flew United from London to Chicago, Denver, Jackson, Wyoming and San Francisco. The flights across the Atlantic were fine. Even my requests to be upgraded were rejected with a smile. There were no delays and the service and food were reasonable.

United's in-flight entertainment was conventional fare. I know this

## When airlines serve up the unexpected

can be annoying for regular travellers who keep encountering the same movie, or for those unhappy positioned in relation to the screen. But I think it is a much better system than the individual TV screens of which Virgin, for example, is so proud.

Any benefit from a wide choice of programmes is mitigated by the small in-seat screen and its proximity to your face. Moreover, the seats are taller to accommodate the eye-level screens, so that if you have the misfortune to be in an inside seat, you are in a kind of hellish pit (Virgin's choice of col-

ours) from which there is no escape.

The real disappointment came with United's domestic services, where I was expecting the best of US efficiency, competition and service. Quite the reverse. The interior of the aircraft to Denver resembled a seedy motel room. The seat upholstery was in dismal stripes in worn colours amid a dull grey surround.

The telephone and fax were incongruous in such unpromising surroundings, but were invaluable for alerting those meeting me that the flight was delayed.

The food was terrible. One lunch

was a hamburger wrapped in silver foil, one snack-pack was a bag of crisps. On another flight I was presented with a bag of tortilla crisps and a little tin for humus. Pulling the ring-handle revealed a thick black sludge. The description was spicy black bean dip.

I consoled myself with the leaflet congratulating my "smart" choice and giving me the reassuring news that the tin and bag of chips had been "designed by our team of Master Chefs and Nutrition experts".

I have no wish to pick on United in particular, since the experience is typical of most American inter-

national flights, where competition has driven down fares and service. Indeed United was even voted best US domestic airline this year by readers of Executive Travel magazine. The airline says it recognises there is a difference between its trans-Atlantic and domestic services and is trying to narrow the gap between them.

A few days after my return I was back on aircraft, this time with state-owned Iran Air for a three-month visit to that country. Other airlines fly to Iran from Europe, including British Airways and Lufthansa, but I use Iran Air regu-

larly because of its discounted fares.

Things did not start well. The queue waiting to check in at Heathrow extended into the far distance. But there were no queues at all at the airline's first-class desk. For a long time after the 1979 revolution, Iran Air abandoned classes, but it has now reinstated them.

This is the airline of the Islamic Republic of Iran, so alcohol is not served and women are requested to wear headscarves. The airline dispenses with glossy magazines, except on a few flights, and the inflight film will not be a Holly-

## SPORT

## Future of player power

Freakish-sounding sums are being offered to basketball stars. But there is a pattern at work, says Michael Thompson-Noel

If we believed everything we heard, we would think that all big-time sports were deep in trouble. Avuncular sponsors, Brass-buttoned (and brass-brained) administrators, Brass-tipped sportspersons enervated by stupendously high earnings and non-stop pampering.

Heard all this? Of course you have. But occasionally the complainant is so distinguished that his words carry authority. Last week, for example, America's Carl "Eight Gold Medals" Lewis, arguably the finest Olympic athlete of all, claimed that athletics was doomed in the US unless those who ran it sharpened their act.

Lewis, 35, was on his way to Atlanta, where he is bidding for an unprecedented fourth consecutive Olympic long-jump gold. He said he did not think US athletics had progressed as it should have done in recent years. Unless it changed, it was "doomed".

Lewis has always been seen as an odd bod - too flighty and glamorous, for one thing, and too selfish and idiosyncratic for his views on sport to have received a full hearing. But it is 12 years since Lewis strutted so provocatively at the Los Angeles Games, where, among other feats, he won the 100 metres by the biggest-ever margin. And his career is virtually at an end. As a result, he is starting to be admired. People are even listening to him.

"I feel like I've put in 15

years in the sport to try to get somewhere and I feel like it is drifting back to where it was when I started," said Lewis. "That is really depressing."

Specifically, he attacked college and school coaches, who play significant roles in American athletics.

Said Lewis: "I'm a professional athlete, but I have to deal with Mickey Mouse college people." The sport needed a new marketing strategy that attracted fans by winning the involvement of top athletes. "We've lost the kids, the fan base. I would not want my kids to be in something that's not progressing. I would want them to be in something that's going to grow, not stagnate."

Lewis, of course, is famously single. What he means, he explained, was that he would not want his friends' children to take up athletics.

A top official, Ollan Cassell, reacted sourly. Lewis, he maintained, "should look at his bank account and his garage" if he believed the sport was fading. "He's one of the most respected athletes that we have. But I would think . . . he would like to review where the sport has come from and where it's going. He should look at the last two years, at the media exposure and the spectator attendance. They are better than they were 10 years ago."

"There's no question that the NBA has gone up as the league has prospered," says agent Tom Reich, who repre-

sents baseball and hockey players, including Lemieux.

"The growth in NBA revenue has been astronomical. Other sports don't have that largesse to split among so few players."

Another Miami star, Alonso Mourning, is looking at a seven-year deal worth \$12m. And Shaquille O'Neal has moved from the Orlando Magic to the Los Angeles Lakers for \$12m over seven seasons.

Basketball is usually portrayed as freakish in terms of money deals and player power. But happenings in basketball may foreshadow the way things are going in pro team sports worldwide, including European soccer.

"I don't have any problem with NBA salaries," says Stan Kasten, president of the National Basketball Association's Atlanta Hawks as well as baseball's Atlanta Braves, calmly.

For comparison, New England quarterback Drew Bledsoe has the highest US National Football League contract - \$42m over seven years - while baseball's fattest contract is Barry Bonds' \$44m, six-year deal with the San Francisco Giants. Mario Lemieux, the highest paid player in America's National Hockey League, is getting approximately \$40m over seven years at the Pittsburgh Penguins.

"There's no question that the NBA has gone up as the league has prospered," says agent Tom Reich, who repre-



Rich enough to own teams? From left: basketball's Shaquille O'Neal and Michael Jordan, and soccer's Ryan Giggs and Alan Shearer

land's prices too high. "You have to be very sensible when it comes to buying."

At present, Japan's rules racing's roost. Recently, the Maktaoum sold the England-based stallion Lammtarra, winner of the English Derby and Prix de l'Arc de Triomphe, to a Japanese syndicate for a sum not unadjusted to \$3m - eye-popping, as 1995 stallion values

last year, at \$245,880, and the sales total was 26 per cent up, at \$58.4m. Four yearlings fetched \$1m plus.

Top buyer was Japan's pony

president Fusaie Sekiguchi, a computer software company in Tokyo, who spent \$5.6m on seven yearlings. These included the sales topper, a \$1.7m bay-coloured colt by Storm Cat. Sekiguchi, the successful owner, said that raising horses adds "dreams and romanticism to life". However, Prince Fahd Salman of Saudi Arabia said he thought Keene-

uses and bring an urban lifestyle to the site. At this rate, Paternoster Square might as well be renamed the Mitsubishi Megastore. With all its proposed underground servicing, it is really one great big office building.

Is it so unrealistic to hope that an opportunity would be grasped for making the entire area around St Paul's part of an imaginative plan that anticipated the revitalisation of London? London will change dramatically in the next 20 years. The key is to make the heart of it a place where people want to work and live.

## Colin Amery • Architecture

## Why Paternoster Square's fate is symbolic

in? The government and planners want better design and I would judge the public mood as one that will be critical of rampant mediocre development. But in company boardrooms there is still a feeling that good architecture is something you lack on to a scheme if you have to.

What no one has really dem-

onstrated is exactly how good architecture affects the bottom line. What is easier to show is that bad architecture can radically alter people's lives.

It is a challenge for architects to add quality to the development equation. I have long felt that what they suffer from is inability to understand the financial world. Their

## OPENINGS

### PARIS

Paris is a city of contrasts. It has some of the world's most opulent palaces and sumptuous restaurants, but it also has some of the poorest slums. It has some of the most advanced technology and some of the most backward traditions. It has some of the most sophisticated art and culture, but it also has some of the most primitive superstitions.



### NEW YORK

The Metropolitan Museum of Art is one of the world's largest and most important museums. It has a vast collection of art from all over the world, including ancient Egyptian, Greek, Roman, and Byzantine artifacts, as well as a large collection of modern and contemporary art. The museum is located in New York City and is open to the public.

### ARTS

#### LONDON

The British Museum is one of the world's most important museums. It has a vast collection of art and artifacts from all over the world, including ancient Egyptian, Greek, Roman, and Byzantine artifacts, as well as a large collection of modern and contemporary art. The museum is located in London and is open to the public.

#### AMSTERDAM

The Rijksmuseum in Amsterdam is one of the world's most important museums. It has a vast collection of art and artifacts from all over the world, including ancient Egyptian, Greek, Roman, and Byzantine artifacts, as well as a large collection of modern and contemporary art. The museum is located in Amsterdam and is open to the public.



### BAYREUTH

The Bayreuth Festival is one of the world's most prestigious opera festivals. It is held annually in Bayreuth, Germany, and features performances of Wagner's operas. The festival is known for its high quality of performance and its unique atmosphere.

### STRATFORD-UPON-AVON

The Royal Shakespeare Company performs at the Royal Shakespeare Theatre in Stratford-upon-Avon, England. The company is known for its high quality of performance and its commitment to classical drama.

## Gutsy Tina Turner still full of vim

**I**t is a pity that Tina Turner is so famously old; it is impossible not to wonder at all the wrong things: the nimbleness with which she keeps up with her backing dancers at the frenzied climax to 'Proud Mary'; the enormity of the shortness of her dresses, which would challenge the confidence of a 17-year-old, let alone someone 40 years older; the energy she packs into a two-hour, non-stop steam roller of an entertainment which presents rock music at its best - spectacle with emotion.

On the surface everything remains perfectly in place - looks, vim, and that desire to please an audience which has always been her greatest attraction.

There was one tell-tale innovation: a sedentary, semi-acoustic set in which she sings soul classics such as 'You make me feel brand new'. But this was only a temporary hitch to the dirty dancing. And even when she is seated, Ms Turner manages to put more life into her performance than a tip load of Tiller Girls.

Soon she is up and roaring through her amazing catalogue - songs like 'Steamy Windows', superficially sordid but transformed by the tremendous fun with which she celebrates her sexual middle age; the mesmeric 'Addicted to love'; and her anthem 'Simply the Best' to which the vast crowd - I have rarely seen Wembley Stadium fuller - was encouraged to sing along endlessly in a threnody of mutual exultation.

To be able to follow this up with the cheerfully debunking 'What's love got to do with it' explains why Tina Turner is constantly building up a global fan club - she now seems to be an important icon for gays. Inevitably she, too, always gets her man goosing her hunk of a saxophone player and rubbing up against her guitarists.

The vastness of Wembley inevitably drains away some of her personality and there was a worrying sign that she might be succumbing to a bad attack of Shirley Bassey disease - a tendency to mangle her lyrics and to coast along on a provocative pout. And can we always be the greatest audience she has even come across in her roller coaster of a career?

But everything ends happily. Tina Turner has the knack of sending herself up without compromising the music. Few artists would synchronize their act with flickering film of the same song - 'River deep, mountain high' - performed so years ago.

Her music perfectly matches her gutsy voice; her stage show is unstinting in its special effects; her musicians are top professionals. It is wonderful entertainment.

**Antony Thorncroft**



'Portrait of a Baby', a painting from the 17th century, exhibits a rare informality and focuses on the baby's features rather than on status symbols

most poignant pieces, a wax effigy of a dead baby prince which a Portuguese family left at a Canterbury coaching inn in the 17th century.

This display is part of an ambitious scheme towards a permanent History of Childhood exhibition, to include Early Years and Growing Up galleries for which Bethnal Green is seeking national lottery funds. As it stands, the Birth and Infancy gallery is fascinating but

too small and unrepresentative to be anything but a taster. Descriptions are scanty. What is the point, for example, in showing Victorian pin cushions given to mothers after childbirth, without the explanation that during pregnancy women were advised to keep away from pins, which were held by folk custom until the 1920s to women the pains of labour? The lack of a catalogue is woeful. And the failure to exhibit

any item from the marvellous Remier collection of 80,000 children's books, acquired in 1970 and including a 1585 printing of Aesop's fables and some fabulous first editions of fairy tales, is a scandal.

In 1988, Sotheby's loan exhibition Childhood showed the immense richness of material in this country - paintings, clothes, objects, books - which could contribute to a comprehensive gallery. Manchester City

Art Gallery's 1992 Innocence and Experience show, taking the theme up to adolescence, widened possibilities. There is the potential here for a magnificent national museum of childhood which could transform our understanding of social history.

Bethnal Green should think big and dynamic, and make it happen.

**Bethnal Green Museum of Childhood, London E2, (0181) 980 2415.**

## Experience a second childhood

**J**ackie Wullschlager welcomes the birth of an exhibition tracing the lives of the very young over the last five centuries

In ancient Rome, infanticide was so common that the most popular manual for parents-to-be was a treatise called 'How to recognise a newborn that is worth rearing'.

Today's parents, by contrast, pore over childcare guru Penelope Leach's liberal advice and suffer paroxysms of guilt if they leave a baby to cry. One of our favourite truisms, as we congratulate ourselves on the child-conscious 1990s, is that a society is to be judged by how it treats its children.

Yet all the signs of our involvement with childhood - the cult film *Kids*, for example, or the success of Baby & Co, a new consultancy supplying designer baby gifts, or the compulsion of many broadsheet columnists to regale us with details of their domestic lives - suggest that we do not in fact engage with children: we hieck them to glamourise our own adult lives. And so it is that our sense of childhood past, from Philippe Ariès' seminal *Centuries of Childhood* to Lloyd de Mause's controversial pro-1990s *History of Childhood*, fixes not on childhood but on the history of adult attitudes to them.

A notable exception is the Bethnal Green Museum of Childhood, in east London, with its three recently launched galleries. The first, Birth and Infancy, reopens this week to include exciting acquisitions and a new display which shows the lives and sensations of the very young over the last five centuries.

It is hard not to hear echoes of Penelope Leach in the baby-friendly themes - Sleeping, Feeding, Mobility, Health - of the new exhibition spaces. The child-culture they evoke, however, ranges from the idyllic to the horrendous. Take two of the prize items which you first encounter. First, the world's oldest swaddling band, linen and lace, from 16th-century Italy - to keep baby warm, but also to bandage limbs, curb the base instinct "to go down upon all fours as animals do", possibly even to hang baby up on a wall, like a picture. Next to it, a mahogany and ormolu cradle with a carved swan made for aristocratic Georgian babies. It came with a rocker and a woman was employed 24 hours a day to swing the crib. A rare illustrated birthing manual, Jacobus Rueff's *De Conceptu et Generatione Hominis* (1587), which was

(1820-1850), the art of painting played an active role in the shaping of bourgeois values and norms. The Royal Academy's collection of plaster casts of Greek and Roman nude statues was an important inspiration for Golden Age artists. This exhibition focuses on the peculiar circumstance that the quasi-religious idolisation of the naked human body by an ancient culture could influence people's attitudes; to Aug 11

### AMSTERDAM

#### CONCERT

Barbican Hall Tel: 44-171-6384141

● Orchestre Révolutionnaire et Romantique with conductor John Eliot Gardiner, soprano Charlotte Margiono, mezzo-soprano Bernadette Fink, tenor Michael Schade, bass Franz Hawata and the Monteverdi Choir perform Beethoven's

Messias und Glückliche Fahrt, Op.112 and Symphony No.9 in D minor, Op.125; 7.30pm, Jul 23 Queen Elizabeth Hall Tel: 44-171-9210800

● Eduardo Falu: the guitarist/singer performs Argentinian and Andean songs; 7.45pm; Jul 23

#### DANCE

Royal Opera House - Covent Garden Tel: 44-171-2129234

● Swan Lake: a choreography by Petipa/Ivanov to music by Tchaikovsky; performed by the Royal Ballet; 2.30pm & 7.30pm; Jul 23

#### EXHIBITION

British Museum Tel: 44-171-6361555

● David Le Marchand (1674-1726) - An Ingenious Man for Carving in Ivory: exhibition of works by this

French-born artist who settled in Edinburgh in 1696. Among the patrons who flocked to him for portrait busts and cameos were royalty, aristocrats, politicians and intellectuals; to Sep 15

Institute of Contemporary Arts - ICA Galleries Tel: 44-171-5303647

● Gabriel Orozco: the first solo

exhibition in Britain by the Mexican

sculptor. Orozco takes his cues from

ordinary, often urban, settings and

even more prosaic materials, such

as a rubber inner tube, a lumpen ball of plasticine, a tin of cat food or

the cap of a yoghurt container; from

Jul 26 to Sep 22

### LOS ANGELES

#### EXHIBITION

Los Angeles County Museum of Art Tel: 1-213-657-6000

● The White House Collection of

American Crafts: exhibition featuring

works by 72 craft artists working in

the media of glass, wood, clay, fiber

and metal. Artists from all regions

of the US are represented, including

Nathan Youngblood, Bennett Bean,

Adrian Saxe, David W. Levi, Danie

Marioni, Dale Chihuly and Suzanne

L. Amendola; to Sep 23

#### MILAN

#### DANCE

Teatro alla Scala di Milano Tel: 39-2-72003744

● Ballet National de Marseille:

perform the choreographies II Gattopardo and Coppélia by Petipa;

Spin; from Jul 23 to Jul 27

#### MUNICH

#### OPERA

Staatsoper Stuttgart Tel:

Nationaltheater Tel: 49-89-21851920

● La Traviata: by Verdi. Conducted by Jun Märkl and performed by the Bayerische Staatsoper. Soloists include Julia Verady, Silvia Fichtl, Francisco Araiza and Marita Knobel; 7pm; Jul 23, 26

### NEW YORK

#### CONCERT

Avery Fisher Hall Tel: 1-212-975-5030

● Time-Warner Concerts in the Park: The New York Philharmonic;

with conductor Richard Westerfield and Chanticleer perform works by Berio, Fauré, Gabrieli and Sametz

In Prospect Park, Brooklyn; 8pm; Jul 23

#### DANCE

New York State Theater Tel: 1-212-875-5570

● Coppelja: a choreography by

Maguy Marin to music by Delibes,

performed by the Lyon Opera Ballet.

Part of the Lincoln Center Festival;

8pm; Jul 22 (7pm), 23, 24 (also 2pm)

#### EXHIBITION

Guggenheim Museum SoHo Tel: 1-212-423-3840

● Medesca: the Guggenheim

Museum SoHo reopens to the public

with this exhibition devoted to

multimedia and interactive art.

It features 14 works by 10 artists to

Sep 15

The Metropolitan Museum of Art Tel: 1-212-587-5500

● Ancient Art from the Shumei

Family Collection: a selection of

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## COMMENT &amp; ANALYSIS



Samuel Brittan

## Risk of a cut too far

Another cut in UK interest rates would be a mistake, since the signs are that growth in the economy is accelerating

More harm often arises from a misguided sense of duty than from enlightened self-interest. Kenneth Clarke, the UK chancellor, may be tempted unwillingly to take a risk with his own reputation in a vain endeavour to improve Tory prospects at the next election.

In my Economic Viewpoint of July 18 I warned that interest rates might have to be cut, despite domestic indicators to the contrary, if there was an upsurge in sterling in the run-up to the election. What would be unforunately would be to make a cut when there is no such upsurge.

There has been a sea-change since the last base rate reduction and a gathering mass of evidence that the slowdown is over and the economy is now taking off. Last Thursday the building societies reported the biggest rise in mortgage lending since the stamp duty holiday ended in August 1992. The broad measure of the money supply is still growing by 10 per cent a year, and the British Chambers of Commerce Survey shows not merely a high level of orders for the service sector but a modest uptick in manufacturers' orders, which have been the lagging sector in the present recovery.

In addition, a continuing unemployment drop has been accompanied by a sharp rise in vacancies - 21 per cent up on a year ago. As Michael Saunders of Salomon Brothers has pointed out, they are now at their highest since 1989 and well above their long-run average, and trends here have frequently signalled a tighter labour market. But perhaps the most persuasive piece of evidence was the purchasing managers' index which rose by three percentage points in June to a level indicating rising business activity for the first time this year.

These dry numbers are supported by plenty of direct experience. The other day I bumped into a British minister outside the circle of those who take part in interest rate decisions. He told me two

things. The first was that whenever he went in the country he found reports of rising business activity. A few weeks ago there had been some exceptional blackspots, but these had largely disappeared.

The second thing he told me was that he thought there could well be one more quarter-point cut in UK base rates before the summer holidays.

I also had the opportunity to question some London accountants. They all reported not yet a runaway boom, but a rising level of activity and inquiries, in property as well as in the retail trade. But I doubt if Eddie George, the Bank of England governor, would share the pleasure with which they reported that margins were also rising for the first time in this cycle.

The practice of looking at a whole year at a time has blinded people to quite how bullish the Treasury's own summer forecast is. In fact the forecasts show an acceleration from an annualised growth rate of 2 per cent in the first half of this year to one of 3½ per cent in the second half. For the first half of 1997 forecast growth is still within this range. It is surely fast enough to make a big dent in the capacity gap of "up to 3 per cent" which Alan Budd, the

Treasury's principal economic adviser, mentioned to a Commons committee last week.

At this point people often ask whether another quarter-point base rate cut would really make the difference between stable growth and a reappearance of inflation. Of course not. But this very question illustrates one of the snags of the new system of moving interest rates by the small amount of a quarter of a per cent at a time. Admittedly the process is partially depoliticised and it is easier to react more sensitively to economic events. The disadvantage is that, as a result of a series of small moves, a head of steam can build up to drive the economy in the wrong direction without anyone noticing until it is too late.

If there is to be a base rate cut after the July 30 meeting between the chancellor and the governor base rates will have fallen by 1½ points from their 1995 peak. The initial reductions were highly welcome reactions to a slowdown in economic activity which took the Bank of England by surprise. When the last two small reductions were made in February and June, I thought that these might be justified provided the chancellor was prepared to raise interest

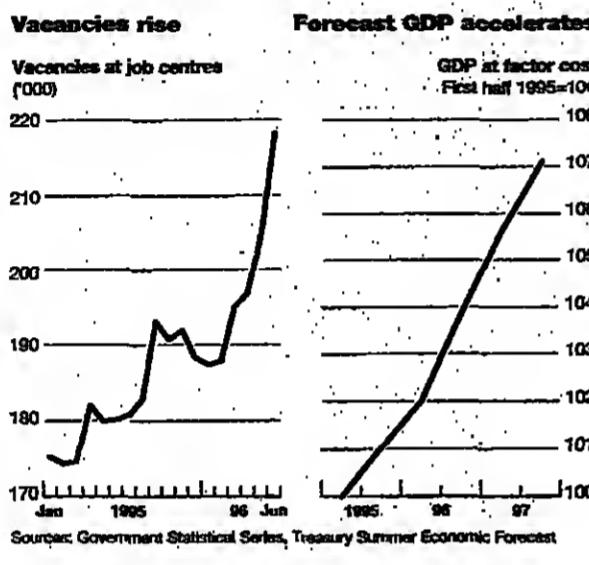
rates again if the balance of dangers changed.

But after each further move, this reassurance becomes less convincing. For no chancellor likes to raise interest rates immediately before an election. Moreover, even if Mr Clarke is prepared to defy the conventional political wisdom, he still has to reckon with the prime minister who is liable to take much more interest in such decisions at a politically sensitive time.

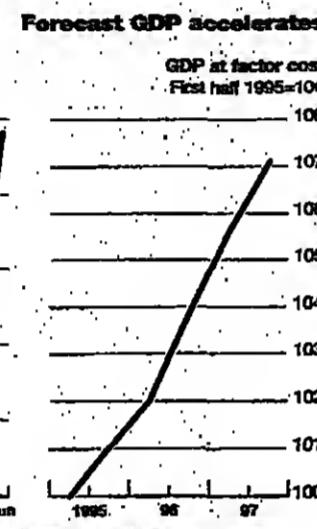
And the lower interest rates go, the further they will have to be raised to reach a sustainable non-inflationary level. If the present underlying rate of inflation is subtracted from base rates, we get a real short-term interest rate of 3 per cent which is not outrageously high by any criteria, nor very different from that of competitor countries.

Taking everything together, the chancellor is probably right to believe that the trend of inflation is still downwards from its present underlying 2.8 per cent rate. The Bank is also right to suggest that policy changes affect inflation with a two-year lag (probably more). The way to take such lags into account is not through the use of a formal forecast but to look at output as well as prices.

A convenient combined measure of the two is given by nominal gross domestic product which is expected to rise in the present and coming financial years by 5½ per cent, of which two percentage points is expected to be inflation and 3½ points real growth. Sometimes this particular measure is misleading, for instance because of tax-induced increases in prices; and much more information would have to be published if there were a serious attempt to guide policy by nominal demand. Fortunately there are few such distortions at present and the nominal GDP projections give a picture of sustainable growth with modest inflation. Why then spoil the outlook with an unnecessary hostage in fortune?



Sources: Government Statistical Series, Treasury Summer Economic Forecast



From Mr Kevin J. Christensen, Sir, Re the article entitled "US death sentences 'racist'" (July 17), I must take exception to the recent report of the International Commission of Jurists where a handful of foreign jurists suggested, after brief visits to a few US states, that the administration of lawfully-issued death

sentences in the US was somehow "arbitrary and racially discriminatory".

I think it is beyond dispute that the US criminal justice system, while not being

perfect, affords more

protection for individual rights

than any other known system of judicial administration. If anything, conviction and

subsequent execution for a

capital crime in the U.S. is not

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for any person, regardless of

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While the alleged fact that 44

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## FINANCIAL TIMES

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Monday July 22 1996

## The wrong target

What should have been a technical discussion over the design of the future European payments system has degenerated into an unnecessary battle for competitive advantage between the "ins" and the "outs" of monetary union.

Countries which are likely to be among the first to adopt the euro, led by France and Germany, argue that only those who accept the duties of monetary union should win full access to the euro payments system, known as Target, and to the central bank overdraft facilities that go with it.

The probable outsiders, led by the UK, want to treat Target as a utility not just for the euro area, but for the entire European Union. They want access on the same terms as the "ins", without associated inconveniences such as German-style minimum reserves.

Both sides are fighting the wrong battle. If they were clearer about Target's purpose, they might see that it is not Target which will determine whether London or Frankfurt becomes Europe's new financial capital.

Target, the Trans-European Automated Real-time Gross settlement Express Transfer system, is essentially a computer link between national payment systems such as the UK's Chaps. The link will enable a French bank to transfer euros to a counterpart in Frankfurt as easily as it could to the other side of Paris. If it works properly, it could also

reduce the risk that a hiccup in the payments system might turn into a crisis for the financial system as a whole.

But Target's principal purpose is not to make life easier or safer for commercial banks; it is to provide a mechanism through which the future European central bank can transmit its monetary policy to the money markets, by injecting liquidity into the European banking system or taking it away.

As a tool for monetary policy, it clearly concerns only those countries which adopt the euro. If the UK does not join Euro, then the Bank of England has as little right to create euro liquidity as the Swiss National Bank, which would also like to join Target.

Banks in the "out" countries need to recognise that they have other options for their cross-border payments, including traditional correspondent banking relationships and private sector clearing houses.

"In" banks, on the other hand, should not believe that privileged access to Target will solve their competitive weaknesses.

It is perfectly appropriate for European central banks to create a system under their control for the transmission of monetary policy within the euro zone. It is also appropriate for central banks to encourage the development of sound and efficient payment systems throughout Europe.

But there is no reason why Target must perform both roles.

## Brand Olympics

Now that the Atlanta Olympics are at last under way, the focus of interest shifts to the athletes and away from the commercial hoopla that surrounds the games. That is as it should be. But the way in which companies seek to exploit such global events offers some useful lessons.

Modern-day Olympics have become The Gathering of the Brands. Only the very biggest international-branded consumer goods companies can afford the millions of dollars needed for effective sponsorship of this sort of event. Televised international sports competitions have created a super-league of top athletes and teams. In the same way, the scale of commitment required by sponsorship underlines the emergence of a super-league of global brands.

Such brands have become the identity badges of the global consumer society. How do you tell when you are in a poor neighbourhood of an otherwise prosperous economy? Because the big global brands are missing: no advertising, no shop hoardings, no franchised fast-food outlets. The absence of the brands is an outward symbol of the economic disenfranchisement of the poor.

That is one reason why some people dislike the role of global brands. Another is the way in which the brands' omnipresent advertising imposes worldwide cultural homogeneity. A third is the barriers to entry brands pose to competitors from outside the

charmed circle of multinational companies and G7 economies.

Yet there are some offsetting reasons to welcome the role of the brands. The pursuit of profit ensures that the branded goods companies are essentially inclusive rather than exclusive, perennially seeking to stamp more and more of the world's citizens with the outward signs of affluence.

They do provide a universal lingua franca of commerce. But they cannot extinguish the fierce localism which is the counterpart of globalisation. The Olympics illustrate that particularly strongly. It is a shared global event, but one experienced very differently by audiences in individual countries where attention is focused on local heroes and favoured sports.

The huge advertising spending that accompanies the games might seem strong evidence of the barriers to entry that branding creates. But companies from Japan and Korea have managed to build global brand recognition rapidly in recent years, barriers to entry are not as formidable as they seem. Perhaps just as telling, advertising and public recognition cannot preserve a brand whose economic rationale has gone from the Waverley pen to the Studebaker car, the world of marketing is littered with once-powerful brands that now mean nothing. Some of the brands gathered in Atlanta will certainly discover that truth before many more Olympiads have passed.

The deputy prime minister regards such concerns as typical of British defeatism. But even the choice of Greenwich for the site of the exhibition has been controversial. A national contest was staged, which was supposed to evaluate the contenders on accessibility and value for money. Although there were originally six applications, the start of the year it had become a two-horse race between Greenwich and Birmingham's National Exhibition Centre.

The main attraction of the London venue lay in its position on the Greenwich meridian. The organisers had also offered a potentially attractive design idea based on the concept of time to exploit this.

But Greenwich had significant drawbacks. The land proposed for

the exhibition is owned by British Gas and heavily polluted by many years of the production of town gas. The site is poorly served for access, with no roads or rail links - although an underground railway link from central London is scheduled to be completed before 2000.

The Birmingham NEC, jointly owned by the city council and the Chamber of Commerce, had much of the infrastructure and long experience of big exhibitions. "We had clear virgin land, good transport links, plenty of expertise and the best design team," says Mrs Theresa Stewart, leader of the council.

However, the cards were always stacked in Greenwich's favour, partly because it formed a part of the East London corridor, a development plan for the former docklands promoted by Mr Heseltine, a development plan for the former docklands promoted by Mr Heseltine.

Ministers were also aware that with no citywide authority, London had lost out in previous bids for big events such as the Olympic games.

As a minister closely involved in the project admits, "I suppose in retrospect it would have been better to say right from the start that Greenwich was the preferred place, rather than going through that chafe."

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And Sir Peter Levene - the prime minister's adviser on government efficiency - was invited to "provide advice" on "whether a sound and commercially viable proposal is deliverable".

Sir Peter has told friends he was

## A Tory chasm

Seen in isolation the impending resignation from the UK government of Mr David Heathcoat-Amory is of little moment. Viewed on a wider canvas it provides another illustration of the deep divisions within the Conservative party over Europe in general and a single currency in particular. The crack opened by sterling's departure from the European exchange rate mechanism on Black Wednesday four years ago has widened into a chasm.

Only a few days ago Mr John Major, the prime minister, was trying his supporters to bury their differences in favour of a sustained onslaught on Labour during the remaining months before the general election. Ministers had met with some success in exploiting the tension within Mr Tony Blair's shadow cabinet over public sector strikes. But Tory MPs have now turned their attention again to internal squabbling.

A competent but uninspiring minister with a middle-ranking post at the Treasury, Mr Heathcoat-Amory had little prospect of further advancement. His post can be readily filled in the ministerial reshuffle which Mr Major had anyway planned for this week.

By choosing, however, to cite opposition to economic and monetary union as the reason for his resignation, Mr Heathcoat-Amory has given succour to those who want the government to rule out sterling's participation for the lifetime of the next parliament. He will join two groups within the Conservative party and seriously damaging for the country.

the same cause. The most strident of these Eurosceptics see a single currency as the first step to a United States of Europe. They would refuse to join in any and all circumstances. The second believes that since a Conservative government is unlikely to include the UK in the first wave of Euro, Mr Major should make an electoral virtue of that reality by saying so in advance of the election.

Lined up against these factions, however, are the most senior ministers in the government. Mr Michael Heseltine, the deputy prime minister, and Mr Kenneth Clarke, the chancellor, are determined to retain an easy-way option. If Mr Major were to bow to the Eurosceptics he would invite a perhaps fatal split in the cabinet.

More importantly, the prime minister must have regard to the national interest. Here the evidence is unequivocal. In or out, a single currency will have significant effects on the UK economy and on the financial services industry. Closing off options now would simply encourage other governments to design a system which operated against British interests. The debate over a future European payments system, described above, is just one important discussion from which Britain would be excluded.

Mr Major cannot escape the Eurosceptics, but he will not unite his party by giving ground to them. Ruling out participation in Euro would be a mistake for the Conservative party and seriously damaging for the country.

## COMMENT & ANALYSIS

### The cost of the biggest New Year celebrations ever



## Unwilling guests at the party

Leading UK companies have come under intense pressure from the government to back the Millennium Exhibition, says Robert Peston

**M**r Michael Heseltine wants to hold the biggest party ever in the UK to celebrate the dawn of the new millennium - and he wants business to help pay the bill.

The deputy prime minister is urging big companies to add £50m to £200m of money from the National Lottery to fund a year-long exhibition in London's Greenwich which he promises will be the greatest single event ever staged in this country.

Today he will stand before the cameras on Greenwich's windswept wasteland and proclaim that planning for the Millennium Exhibition is forging ahead. But he is still far short of raising the sponsorship needed - and his tactics for attracting corporate sponsors have become one of the talking points in the board rooms of the UK's biggest companies.

"I would not say he used blackmail, unless you mean moral blackmail," says the chairman of a multinational company. "We had clear virgin land, good transport links, plenty of expertise and the best design team," says Mrs Theresa Stewart, leader of the council.

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appalled by the financial mess he found. After almost a year to prepare its bid, Greenwich had only a fledgling design idea, with no detailed financial plans.

The difficulties were summarised in a report for the Millennium Commission by Lazard Brothers, the merchant bank, in June. "It became clear in late April," the report says, "that the full exhibition... would not justify any commercial investment by the private sector and would leave a funding gap of £400m."

Mr Heseltine scaled down the budget by substituting a year-long exhibition and temporary buildings instead of a more expensive permanent monument. And he and Sir Peter set to work wooing the private sector for sponsorship.

They wanted companies in different sectors - banking, aviation, telecommunications - to club together to finance the 12 exhibition pavilions. Each pavilion would cost around £40m, with companies contributing £12m and the balance largely from the lottery.

British Airways is committed to giving just £6m, although Mr Robert Ayling, chief executive, has agreed to chair the company which will organise and operate the exhibition.

British Gas has promised to give up the pollution on the site - and is still negotiating on how much it might contribute to providing infrastructure.

Other sponsors more or less committed are British Petroleum, the BAA, British Aerospace, Marks and Spencer and the Corporation of London, the City's local authority. In the words of Sir Peter Levene: "Things are moving in the right direction."

However, there have been allegations that even this small group of sponsors has been signed up only after - in the words of one banker - "arm-twisting" by Sir Peter and Mr Heseltine.

One leading industrialist deliberately avoided coming to a meeting of businessmen convened by Mr Heseltine in the Cabinet Office on June 5. "If I had gone I would have had that great hairy thing bearing down on me and my pocket would have been picked," he says.

The Bank of England has taken sides and believes the governor's role has been misinterpreted. In the end the banks decided there was safety in numbers and refused to finance their own pavilion - although the four big English banks and Abbey National will probably put money into a special City of London pavilion organised by the Corporation.

Such is the force of Mr Heseltine's lobbying that few business executives doubt he will get the money. "The exhibition will happen," says a senior banker. "Frankly I feel very uncomfortable about upsetting our lead regulator."

The Bank denies it took sides and believes the governor's role has been misinterpreted. In the end the banks decided there was safety in numbers and refused to finance their own pavilion - although the four big English banks and Abbey National will probably put money into a special City of London pavilion organised by the Corporation.

But he and others say there will be a price for the UK. "It will consume almost our entire budget for arts and community projects for the next few years," says the chairman of the multinational company. "The pot of money for this sort of thing is finite."

At that meeting, Mr Heseltine asked those present for "an act of faith" and slapped down any criticism of the project. "When someone dared to ask who would underwrite the risk of cost over-runs, he was brusquely slapped down by Hezza," says one executive who was there. "Hezza said only that the private sector would not be asked for more money and that other details were not our business."

Some companies have decided to resist the deputy prime minister's pressure. Most notable are the banks and big building societies. In mid-June and early July, their chairmen discussed their approach in two meetings at the Bank of England, chaired by Mr Eddie George, the governor.

One of those nervous about not contributing was chairman of a building society which needs Bank approval to convert into a public company. "Our impression was that Eddie was on Hezza's side," says a senior banker. "Frankly I feel very uncomfortable about upsetting our lead regulator."

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## OBSERVER

### Not the Olympics

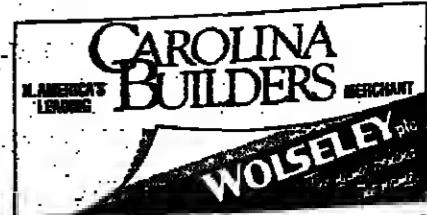
If the wall-to-wall coverage of the Olympics leaves you cold, diversion is emerging - at least, if you stay in alternative business. An international quiz dispatched to the world by fax and Internet has popped up to tax the wits of businesspeople.

The deputy prime minister regards such concerns as typical of British defeatism. But even the choice of Greenwich for the site of the exhibition has been controversial. A national contest was staged, which was supposed to evaluate the contenders on accessibility and value for money.



# FINANCIAL TIMES

Monday July 22 1996



## Muscovites see personal touch in emerging flow of junk mail

Western advertising skills are making their mark in Russia, explains Chrystia Freeland

**W**hen millions of Muscovites received letters from their mayor last month urging them to vote for President Boris Yeltsin, many thought each missive had been personally signed and addressed.

Their innocence in the face of a direct mail campaign is seen as a reason why Mr Yeltsin secured his remarkable election victory. It is also an example of how sophisticated western advertising techniques are transforming the tastes of a nation which, for more than 70 years, was under the sway of bombastic communist propaganda.

Russia remains a country where telephone books can only be acquired on the black market and where thousands of factories continue to churn out goods they cannot sell just as they did in the days of central planning. But, increasingly, this Soviet complacency is being shaken up by companies which are learning to appeal directly to Russia's deprived consumers.

One of their newest weapons in this campaign is direct mail advertising, an approach which is particularly effective in a country so sheltered from advertisers' wiles that it has not yet invented a phrase for "junk mail".

As Ms Tatiana Bakalets, marketing director of Poster Publicity, the company which produced the personalised vote Yeltsin letters, explains: "A big plus for us is that in Russia people are so unaccustomed to this that when you get a letter addressed to you by your name and patronymic

you think it's written directly to you. The pensioners, in particular, thought that Luzhkov (the mayor of Moscow) had written each letter himself."

But Ms Bakalets also concedes that the fearful heritage of the communist past, together with the new suspicions bred by the sometimes savage capitalist present, can make advertising in Russia difficult.

"Just think of it - in a city as big as Moscow there is no telephone book, so we must create a database ourselves," she says.

"But we have such a criminalised situation today that people are very unwilling to give out their home telephone numbers."

And those people who have a lot of money, earned not necessarily honestly, are very unwilling to give out their addresses."

Work on this year's election campaign for Mr Yuri Luzhkov, the mayor of Moscow, helped to fill that gap by giving Poster Publicity access to the city's own extensive databases.

Thanks to that inside information, the firm now has the addresses of 7.2m adult Muscovites, and can divide them into sub-groups such as single mothers, pensioners or even the residents of "Khrushchevki", the dilapidated five-storey apartment blocks built by Nikita Khrushchev in the 1960s to solve the national housing crisis.

Like most Russians involved in the financial side of the recent election campaign, Ms Bakalets is reluctant to give details about the pro-Yeltsin letters her firm

*Москва! 16 июня Вам пришло письмо от мэра Москвы. Всё ли это я написала? И в городе, наверно, не все равно, о чём Москву и о чём России?*

*Москвич Привет Вашему сыну сделать выбор. Я свой сделал. Буду голосовать за Ельцина. Этому выбору однозначно первый для России. Я это и пишу это письмом.*

*Желаю Вам и Вашим родным всегда здоровья. Пусть все мы будем знать о происходящем и процветающей России.*

*Искренне Ваш,  
Мэр Москвы Юрий Лужков.*

*Москве! 16 июня Ваше письмо всегда добровольно. Пусть все мы будем знать о происходящем и процветающей России.*

*Москвич Привет Вашему сыну сделать выбор. Я свой сделал. Буду голосовать за Ельцина. Этому выбору однозначно первый для России. Я это и пишу это письмом.*

*Желаю Вам и Вашим родным всегда здоровья. Пусть все мы будем знать о происходящем и процветающей России.*

*Искренне Ваш,  
Мэр Москвы Юрий Лужков.*

sent out under Mr Luzhkov's signature. Just 100,000 were dispatched as part of the official campaign, but she says that in reality millions of the letters hit Muscovite mailboxes.

"It is all very complicated in Russia," Ms Bakalets explains in some distress. "Luzhkov only paid for a small portion himself, the rest was paid for by outside supporters. It is to do with the finance limits in our election law."

One of the most ambitious projects Ms Bakalets is planning for later in the year is a bold drive to alter the often neglectful habits of Russian husbands.

Thousands of Moscow's richest men will receive letters reminding them that "your beloved wife's birthday is in just two weeks. As a sign of your devo-

tion, why not buy her one of these gifts..."

The suggested purchases will range from a day at a Moscow beauty spa, to jewellery and household appliances. But Muscovite husbands should beware: as Ms Bakalets sweetly explains, "we have a database which can select rich people, so what we suggest will be very expensive."

Ms Bakalets speaks enviously of western advertising firms which can get access to specialised mailing lists at the press of a computer button. But she is hopeful that the 38 companies which do direct mail advertising in Moscow will soon catch up with their western counterparts.

And after all, Russia's fledgling advertisers are confident that if they can sell Yeltsin, they can sell anything.

## Brussels faces pressure to clarify future of Ecu bonds

By Gillian Tett and  
Samer Iskander in London

Investors are pressing the European Commission to clarify the legal status of financial products denominated in Ecu, which have been hit by a loss of confidence ahead of the introduction of a single currency.

Financial institutions fear that the status of some Ecu bonds issued before 1992 is unclear due to changes to the basket of currencies on which the Eco was based. They are worried about doubts over whether all products would be converted at the official rate of one Ecu to one Euro, the new European currency.

The Commission plans to meet banks and other financial institutions on Thursday to discuss a clear wording to restore confidence in the Ecu market, which has recently been unsettled.

Several multinational companies, private financial institutions and at least one government-backed institution have scaled down their activities in Ecu because of the uncertainty.

Mr Mark Fox, chief European strategist at the US investment bank Lehman Brothers, said the "vast majority of professional associations are pushing for legislation" and warned of the "threat of a tide of litigation after 1999", when the single currency is due to be introduced.

However Mr Steven Major, an Ecu bond specialist at Crédit Lyonnais in Paris, argues that the problem only affects 10 per cent of the Ecu55bn (\$68.2bn) bond market.

Draft proposals presented to banks by the Commission last week were considered inadequate by some lawyers in London and Paris.

The problem centres on how the Ecu and its related bonds and other instruments will be treated when Ecu starts in 1999. Last year, European heads of government announced that products denominated in Ecu would be converted into Euros at a rate of one to one.

But although the wording covers most recent Ecu deals, lawyers question whether it covers some contracts before 1992. Older contracts had slightly different definitions of an Ecu.

The Commission plans to produce a final legal framework by early September, and hopes to submit the proposals to a meeting of the economics and finance ministers of all 15 EU member states in Dublin in September.

Single currency timeframe criticised, Page 8  
Editorial Comment, Page 17

## Israel and Hizbullah to swap bodies

Continued from Page 1

In the past two years there has been repeated speculation about a possible deal brokered by Germany, including the return of Mr Ron Arad, the only missing Israeli serviceman thought to be still alive.

Mr Schmidbauer, the 57-year-old minister of state in the German chancellor's office, who arranged the deal after talks with Hezbollah leaders in Damascus and Beirut, has extensive contacts in the Middle East and secured the backing of Syrian president Hafez al-Assad for the exchange.

He was first asked by the Israeli government in May to try and broker an exchange. In spite of repeated shuttling between Tehran, Jerusalem, Damascus and Beirut, his efforts then were not successful.

## THE LEX COLUMN

### GEC's Gallic games

How much does Britain's General Electric Company (GEC) stand to gain from the upcoming privatisation of Thomson, the French electronics group? That rather depends on which of the two French groups in the frame, Alcatel Alsthom or Lagardère, ends up buying it. Although GEC could probably forge a relationship with either, the prospects of clinching an attractive deal with Alcatel look better.

The best outcome would be a merger between Marconi, GEC's defence electronics group, and Thomson-CSF, the French group's defence arm. Given the large overlap between the two, such a combination would lead to big savings in research and development and marketing; manufacturing costs would also fall as a result of longer production runs. A merged Marconi/Thomson-CSF would be well-placed to compete with US defence giants such as Lockheed Martin. Alcatel, which has few defence interests of its own, would probably negotiate such a merger if it won Thomson. Indeed, doing so might be its main purpose in buying Thomson. If it could acquire the company at a price that reflected its prospects as a stand-alone entity but then plug it into a joint venture with greater opportunities, Alcatel would create value for its shareholders.

Lagardère's thinking, though, is rather different. Not only does it already have an extensive defence business, it is not big enough to buy Thomson on its own. Its plan seems to be to raise cash by selling minority stakes in Thomson-CSF to the likes of GEC, Daimler-Benz and British Aerospace. The idea would then be to form a series of joint ventures, covering specific products like missiles and communications.

From Lagardère's perspective, such a "cascadic" shareholding structure would have the advantage of giving it considerable control from a small equity base. But, for GEC's shareholders, the benefits would not be as great. A series of mini joint ventures would not offer the same scope to rationalise R&D and marketing as a big merger. Nor would there be much appeal in handing over large dollops of cash to become a sleeping partner in Thomson-CSF.

Loosely linked to Thomson's future is that of Framatome, the French state-controlled nuclear equipment group. Alcatel, which owns 44 per cent of Framatome, its power generation joint venture with GEC, may be some industrial logic to the idea of bringing conventional and nuclear power generation under the same roof. But the suspicion is that

more than \$30m in Burns and, even when its planned gas project comes on stream, it is only likely to account for about 2 per cent of the company's reserves. While the outcry against the Burmese regime is strongest in Denmark - whose honorary consul died in jail after being arrested for possessing an illegal fax machine - it has spread to the US. A consumer boycott would not have to make much of a dent in Total's \$27bn sales to wipe out all the gains from the gas project.

Total, though, and other companies like it, will probably not view Burns in isolation. Though the Burmese regime is gruesome, it is not the only dodgy country in which it operates. Total will be reluctant to set a precedent that makes itself vulnerable to pressure to pull out of other similarly undemocratic countries.

#### Pharmacia & Upjohn

Pharmacia & Upjohn's market capitalisation has soared by 60 per cent since its formation last August. Now that Volvo, the pharmaceutical group's *main shareholder*, is unloading a \$2bn stake, other investors could be forgiven for asking whether the shares are still worth buying.

The market's enthusiasm so far has reflected the elegant merger structure, which avoided a huge goodwill write-off, and the promised cost savings of \$500m, that should boost earnings before integration charges by around 50 per cent this year and 26 per cent in 1997. Progress thereafter will depend on a flurry of new product launches - including Xalatan for glaucoma, a new inconvenience treatment and drugs against cancer and AIDS. None are obvious blockbusters but the merger has given P&U the global infrastructure to squeeze value out of even modest products. That should help to improve the current pedestrian sales growth of 3-5 per cent.

The group's weakness lies in its fragmented portfolio. P&U is stretched across eight therapeutic categories with its top 10 drugs contributing just 33 per cent of sales against an average of 70 per cent for its top rivals. The obvious solution is to focus. To prevent the merger's tax advantages, significant disposals are not on the cards for two years. Thereafter, some rationalisation would be possible. P&U has not yet transformed itself into a high-growth company. But, over the medium term, it has the potential to do so. Moreover, given that the shares are trading at only 15 times 1997 earnings - roughly a 15 per cent discount to the US pharmaceuticals sector - there is still some upside potential.

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**Europe today**  
A large part of the continent will have sunny and warm conditions. The Benelux, Germany and northern France will have temperatures around 26C, but southern France, Italy and Portugal will be hotter. Spain will have temperatures rising to 40C.  
England will be rather sunny and warm but Ireland and Scotland will be overcast with some rain. During the late afternoon, thunderstorms will develop over Wales as well as northern and western England.  
There will be more thunder in Greece and the southern Balkans. The Alps will have isolated showers. Russia will have cool and unsettled conditions with widespread showers while Poland and the northern Balkans will stay dry with a mixture of cloud and sunshine.

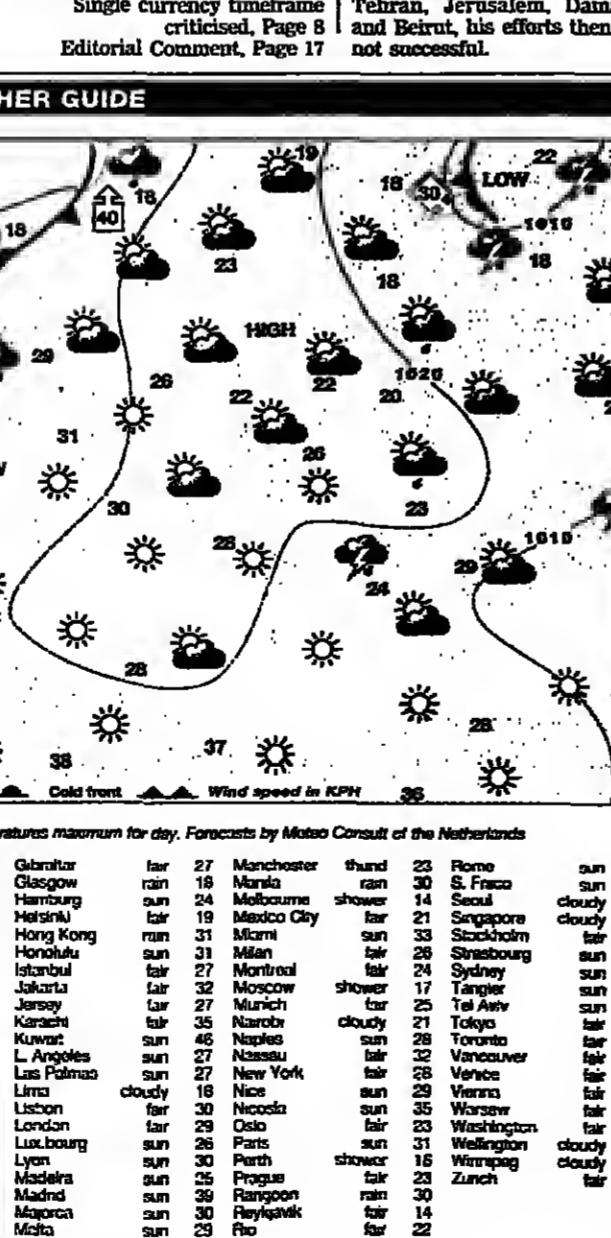
**Five-day forecast**  
Cool Atlantic air will move further eastwards, triggering showers and thunderstorms on the continent on Tuesday and Wednesday. Conditions will improve in Ireland and Scotland where there will be a mixture of cloud and sunshine. On Thursday, Portugal and north-western Spain will have thunderstorms but more pleasant temperatures will follow. Eastern Europe will remain unsettled and rather cool.

**TODAY'S TEMPERATURES**

Location	Temperature (°C)
Belfast	18
Belgrade	28
Paris	23
Chicago	27
Glasgow	20
Cologne	24
London	22
Madrid	25
Alps	23
Sofia	26
Amsterdam	26
Bombay	30
Athens	20
Barcelona	26
Atlanta	24
Budapest	22
Buenos Aires	26
Caracas	24
Cape Town	26
Edinburgh	24
Faro	26
Frankfurt	24
Geneva	24
Helsinki	28
Istanbul	27
Jakarta	31
Kuala Lumpur	32
Lima	28
London	26
Lisbon	29
Luxembourg	26
Lyon	30
Madrid	28
Malta	29
Montevideo	26
Paris	26
Prague	24
Porto	23
Portugal	24
Rio	22
Rome	28
Sofia	22
Tbilisi	23
Tokyo	25
Venice	28
Vienna	25
Vienna	25
Washington	23
Zurich	24

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